

## LEGISLATIVE BILL 1024

Approved by the Governor April 13, 2006

Introduced by Raikes, 25

AN ACT relating to schools; to amend sections 32-543, 77-1601.02, 77-1614, 77-1624, 77-1702, 77-1704.01, 77-1708, 77-1772, 77-2201, 77-2202, 79-232, 79-233, 79-237, 79-238, 79-458, 79-458.01, 79-467, 79-468, 79-469, 79-476, 79-527, 79-528, 79-535, 79-536, 79-549, 79-760, 79-979, 79-980, 79-981, 79-983, 79-984, 79-985, 79-986, 79-9,107, 79-9,108, 79-9,109, 79-9,115, 79-1002, 79-1008.02, 79-1024, 79-1030, 79-1033, 79-1074, 79-1075, 79-1083, 79-1084, 79-1086, 79-10,120, and 79-10,126, Reissue Revised Statutes of Nebraska, sections 13-503, 13-508, 13-511, 79-1001, and 79-1008.01, Revised Statutes Cumulative Supplement, 2004, sections 77-3442, 79-102, 79-407, 79-408, 79-409, 79-413, 79-415, 79-416, 79-433, 79-452, 79-473, 79-479, 79-611, 79-850, 79-1007.01, 79-1022, 79-1026, and 79-1028, Revised Statutes Supplement, 2005, and sections 79-1003 and 79-1007.02, Revised Statutes Supplement, 2005, as amended by sections 4 and 5, respectively, Legislative Bill 1208, Ninety-ninth Legislature, Second Session, 2006; to adopt the Learning Community Reorganization Act; to provide for the establishment of focus schools and programs; to change provisions relating to the calculation of state aid; to provide powers and duties; to change provisions relating to school district boundaries; to provide for learning community coordinating councils; to provide powers and duties and taxing authority for the councils; to provide for a high-needs education coordinator; to eliminate certain tax foreclosure proceedings; to provide for severability; to harmonize provisions; to repeal the original sections; and to outright repeal section 77-1933, Reissue Revised Statutes of Nebraska.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 13-503, Revised Statutes Cumulative Supplement, 2004, is amended to read:

13-503 For purposes of the Nebraska Budget Act, unless the context otherwise requires:

(1) Governing body shall mean the governing body of any county agricultural society, elected county fair board, joint airport authority formed under the Joint Airport Authorities Act, city or county airport authority, bridge commission created pursuant to section 39-868, cemetery district, city, village, municipal county, community college, community redevelopment authority, county, drainage or levee district, educational service unit, rural or suburban fire protection district, historical society, hospital district, irrigation district, learning community, natural resources district, nonprofit county historical association or society for which a tax is levied under subsection (1) of section 23-355.01, public building commission, railroad transportation safety district, reclamation district, road improvement district, rural water district, school district, sanitary and improvement district, township, offstreet parking district, transit authority, metropolitan utilities district, and political subdivision with the authority to have a property tax request, with the authority to levy a toll, or that receives state aid;

(2) Levying board shall mean any governing body which has the power or duty to levy a tax;

(3) Fiscal year shall mean the twelve-month period used by each governing body in determining and carrying on its financial and taxing affairs;

(4) Tax shall mean any general or special tax levied against persons, property, or business for public purposes as provided by law but shall not include any special assessment;

(5) Auditor shall mean the Auditor of Public Accounts;

(6) Cash reserve shall mean funds required for the period before revenue would become available for expenditure but shall not include funds held in any special reserve fund;

(7) Public funds shall mean all money, including nontax money, used in the operation and functions of governing bodies. For purposes of a county, city, or village which has a lottery established under the Nebraska County and City Lottery Act, only those net proceeds which are actually received by the county, city, or village from a licensed lottery operator shall be considered public funds, and public funds shall not include amounts awarded as prizes;

(8) Adopted budget statement shall mean a proposed budget statement which has been adopted or amended and adopted as provided in section 13-506. Such term shall include additions, if any, to an adopted budget statement made by a revised budget which has been adopted as provided in section 13-511;

(9) Special reserve fund shall mean any special fund set aside by the governing body for a particular purpose and not available for expenditure for any other purpose. Funds created for (a) the retirement of bonded indebtedness, (b) the funding of employee pension plans, (c) the purposes of the Political Subdivisions Self-Funding Benefits Act, (d) the purposes of the Local Option Municipal Economic Development Act, (e) voter-approved sinking funds, ~~or~~ (f) statutorily authorized sinking funds, or (g) the distribution of property tax receipts by a learning community to member school districts shall be considered special reserve funds;

(10) Biennial period shall mean the two fiscal years comprising a biennium commencing in odd-numbered years used by a city in determining and carrying on its financial and taxing affairs; and

(11) Biennial budget shall mean a budget by a city of the primary or metropolitan class that adopts a charter provision providing for a biennial period to determine and carry on the city's financial and taxing affairs.

Sec. 2. Section 13-508, Revised Statutes Cumulative Supplement, 2004, is amended to read:

13-508 (1) After publication and hearing thereon and within the time prescribed by law, each governing body, except as provided in subsection (3) of this section, shall file with and certify to the levying board or boards on or before September 20 of each year, ~~or for Class I school districts, or~~ ~~before August 1 of each year,~~ and file with the auditor a copy of the adopted budget statement which complies with sections 13-518 to 13-522 or 79-1023 to 79-1030, together with the amount of the tax required to fund the adopted budget, setting out separately (a) the amount to be levied for the payment of principal or interest on bonds issued by the governing body and (b) the amount to be levied for all other purposes. Proof of publication shall be attached to the statements. School districts that are members of a learning community shall also file a copy of such adopted budget statement with the learning community coordinating council on or before September 1, 2007, and on or before September 1 of each year thereafter. The governing body, in certifying the amount required, may make allowance for delinquent taxes not exceeding five percent of the amount required plus the actual percentage of delinquent taxes for the preceding tax year and for the amount of estimated tax loss from any pending or anticipated litigation which involves taxation and in which tax collections have been or can be withheld or escrowed by court order. For purposes of this section, anticipated litigation shall be limited to the anticipation of an action being filed by a taxpayer who or which filed a similar action for the preceding year which is still pending. Except for such allowances, a governing body shall not certify an amount of tax more than one percent greater or lesser than the amount determined under section 13-505.

(2) Each governing body shall use the final adjusted values as provided by the county assessor pursuant to section 13-509 for the current year in setting or certifying the levy. Each governing body may designate one of its members to perform any duty or responsibility required of such body by this section.

(3)(a) A Class I school district shall do the filing and certification required by subsection (1) of this section on or before August 1 of each year.

(b) A school district which is a member of a learning community shall do such filing and certification on or before September 1 of each year.

Sec. 3. Section 13-511, Revised Statutes Cumulative Supplement, 2004, is amended to read:

13-511 (1) Unless otherwise provided by law, whenever during the current fiscal year or biennial period it becomes apparent to a governing body that (a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, (b) the budget adopted violated sections 13-518 to 13-522, such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with sections 13-518 to 13-522, or (c) the governing body has been notified by the auditor of a mathematical or accounting error or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal.

(2) Notice of the time and place of the hearing shall be published at least five days prior to the date set for hearing in a newspaper of general circulation within the governing body's jurisdiction. Such published notice

shall set forth (a) the time and place of the hearing, (b) the amount in dollars of additional or reduced money required and for what purpose, (c) a statement setting forth the nature of the unanticipated circumstances and, if the budget requirements are to be increased, the reasons why the previously adopted budget of expenditures cannot be reduced during the remainder of the current year or biennial period to meet the need for additional money in that manner, (d) a copy of the summary of the originally adopted budget previously published, and (e) a copy of the summary of the proposed revised budget.

(3) At such hearing any taxpayer may appear or file a written statement protesting any application for additional money. A written record shall be kept of all such hearings.

(4) Upon conclusion of the public hearing on the proposed revised budget and approval of the proposed revised budget by the governing body, the governing body shall file with the county clerk of the county or counties in which such governing body is located, with the learning community coordinating council for school districts that are members of learning communities, and with the auditor, a copy of the revised budget, as adopted. The governing body may then issue warrants in payment for expenditures authorized by the adopted revised budget. Such warrants shall be referred to as registered warrants and shall be repaid during the next fiscal year or biennial period from funds derived from taxes levied therefor.

(5) Within thirty days after the adoption of the budget under section 13-506, a governing body may, or within thirty days after notification of an error by the auditor, a governing body shall, correct an adopted budget which contains a clerical, mathematical, or accounting error which does not affect the total amount budgeted by more than one percent or increase the amount required from property taxes. No public hearing shall be required for such a correction. After correction, the governing body shall file a copy of the corrected budget with the county clerk of the county or counties in which such governing body is located and with the auditor. The governing body may then issue warrants in payment for expenditures authorized by the budget.

Sec. 4. Section 32-543, Reissue Revised Statutes of Nebraska, is amended to read:

32-543 (1) ~~If more than seventy-five percent of the geographical area of a Class III school district lies within a city of the metropolitan class and a caucus is held for nominations under section 79-549 for a Class III school district,~~ the board of education shall consist of six members to be elected by the registered voters of the school district at the statewide primary election. Two members shall be elected at each election for a term of six years. The members shall meet the qualifications found in section 79-543.

(2) Except as provided in subsection (1) of this section, members of the board of education of a Class III school district shall be nominated at the statewide primary election and elected at the statewide general election. The board of education of a Class III school district shall have six or nine members as provided in section 79-549 or 79-550, and the members shall be nominated and elected at large or by district or ward as provided in section 32-554 or nominated by district or ward and elected at large as provided in section 79-550. The number of members to be nominated at the statewide primary election and elected at the statewide general election and the terms for which they will be nominated and elected shall be determined by the election commissioner or county clerk with the aid of the elected secretary of the board of education of the district. The terms of office of members of such board shall expire on the first Thursday after the first Tuesday in January. Terms shall be staggered so that three members shall be elected to each six-member board and four or five members shall be elected to each nine-member board at each general election for terms of four years. When it becomes necessary to establish the staggering of terms by electing members for terms of different duration at the same election, candidates receiving the greatest number of votes shall be elected for the longest terms. The members shall meet the qualifications found in section 79-543.

Sec. 5. Section 77-1601.02, Reissue Revised Statutes of Nebraska, is amended to read:

77-1601.02 (1) The property tax request for the prior year shall be the property tax request for the current year for purposes of the levy set by the county board of equalization in section 77-1601 unless the governing body of the county, municipality, school district, learning community, sanitary and improvement district, natural resources district, educational service unit, or community college passes by a majority vote a resolution or ordinance setting the tax request at a different amount. Such resolution or ordinance shall only be passed after a special public hearing called for such purpose is held and after notice is published in a newspaper of general circulation in the area of the political subdivision at least five days prior to the hearing. The hearing

notice shall contain the following information: The dollar amount of the prior year's tax request and the property tax rate that was necessary to fund that tax request; the property tax rate that would be necessary to fund last year's tax request if applied to the current year's valuation; and the proposed dollar amount of the tax request for the current year and the property tax rate that will be necessary to fund that tax request. Any resolution setting a tax request under this section shall be certified and forwarded to the county clerk on or before October 13 of the year for which the tax request is to apply.

(2) Any levy which is not in compliance with this section and section 77-1601 shall be construed as an unauthorized levy under section 77-1606.

Sec. 6. Section 77-1614, Reissue Revised Statutes of Nebraska, is amended to read:

77-1614 All taxes which are uniform, throughout any precinct, township, school district, learning community, village, city, county, or other taxing subdivision of a county, shall be formed into a single tax, be entered upon the tax list in a double column, and be denominated a consolidated tax.

Sec. 7. Section 77-1624, Reissue Revised Statutes of Nebraska, is amended to read:

77-1624 It shall be the duty of the county treasurer for each and every county, when collecting personal and real estate taxes being delinquent five years or more, to receipt for such taxes on a receipt for the fifth delinquent year. Such taxes so collected shall be prorated in proportion to the levies applicable for the year levied. All state taxes when collected shall be remitted to the State Treasurer and by him or her credited to the fund or funds for which the levy or levies were made, and all county funds when collected shall be placed to the credit of the county general fund; all municipal, school district, learning community, township, precinct, and special funds shall be entered in separate columns. All taxes so consolidated shall be paid in order of priority of delinquency.

Sec. 8. Section 77-1702, Reissue Revised Statutes of Nebraska, is amended to read:

77-1702 State warrants are receivable for the amount payable into the state treasury on account of tax levied for general state purposes. County warrants are receivable for the amount payable into the county treasury for general purposes. City warrants shall be received for the city general tax, village warrants for the village general tax, and town warrants for the town general tax. State, city, village, or township taxes, levied for other special purposes, may be paid by warrants drawn and payable out of the particular fund on account of which they are tendered. Lawful money of the United States, checks, drafts, credit cards, charge cards, debit cards, money orders, electronic funds transfers, or other bills of exchange may be accepted in payment of any state, county, village, township, school district, learning community, or other governmental subdivision tax, levy, excise, duty, custom, toll, penalty, fine, license, fee, or assessment of whatever kind or nature, whether general or special.

Sec. 9. Section 77-1704.01, Reissue Revised Statutes of Nebraska, is amended to read:

77-1704.01 (1) The county treasurer shall include with each tax notice or receipt to every taxpayer the following information:

(a) The total amount of aid from state sources appropriated to the county and each city, village, and school district in the county;

(b) The net amount of property taxes to be levied by the county and each city, village, ~~and~~ school district, and learning community in the county; and

(c) Beginning with tax year 2000, for real property, the amount of taxes reflected on the statement that are levied by the county, city, village, school district, learning community, and other subdivisions for the tax year and for the immediately past year on the same parcel.

(2) The necessary form for furnishing the information required by subdivisions (1)(a) and (b) of this section shall be prescribed by the Department of Revenue. The necessary information required by subdivision (1)(a) of this section shall be furnished to the county treasurer by the Department of Revenue prior to October 1 of each year. The form prescribed by the Department of Revenue shall contain the following statement:

THE AMOUNT OF STATE FUNDS SHOWN ABOVE WOULD HAVE BEEN ADDITIONAL PROPERTY TAXES IF NOT ALLOCATED TO THE COUNTY, CITY, VILLAGE, AND SCHOOL DISTRICT BY THE LEGISLATURE.

Sec. 10. Section 77-1708, Reissue Revised Statutes of Nebraska, is amended to read:

77-1708 The county treasurer is required to keep a cash book in

which he or she shall enter an account of all money ~~by him~~ received, specifying in proper columns provided for that purpose the date of payment, the number of the receipt issued therefor, and on account of what fund or funds the same was paid, whether state, county, school, learning community, road, sinking fund or otherwise, each in separate columns, and the total amount for which the receipt was given in another column. The treasurer shall keep ~~his~~ the account of money received for and on account of taxes, separate and distinct from money received on any other account. He or she shall also keep ~~his~~ the account of money received for and on account of taxes, levied and assessed for any one year separate and distinct from those levied and assessed for any other year. All entries in the cash book of money received for taxes shall be in the numerical order of the receipts issued therefor.

Sec. 11. Section 77-1772, Reissue Revised Statutes of Nebraska, is amended to read:

77-1772 Interest collected upon delinquent county, city, village, ~~or~~ school district, or learning community taxes shall be credited on the books and distributed among the various governmental subdivisions and municipal corporations in the same proportion as the principal of the taxes is credited and distributed.

Sec. 12. Section 77-2201, Reissue Revised Statutes of Nebraska, is amended to read:

77-2201 All warrants upon the State Treasurer, or the treasurer of any county, city, school district, learning community, or other municipal corporation shall be paid in the order of their presentation therefor.

Sec. 13. Section 77-2202, Reissue Revised Statutes of Nebraska, is amended to read:

77-2202 The State Treasurer and the treasurer of every county, city, school district, learning community, or other municipal corporation shall keep a warrant register, which register shall show in columns arranged for that purpose the number, the date, and the amount of each warrant presented and registered, ~~as hereinafter provided~~, the particular fund upon which the same is drawn, the date of presentation, the name and address of the person in whose name the ~~same~~ warrant is registered, the date of payment, the amount of interest, and the total amount paid thereon, with the date when notice to the person in whose name such warrant is registered is mailed, ~~as hereinafter provided~~.

Sec. 14. Section 77-3442, Revised Statutes Supplement, 2005, is amended to read:

77-3442 (1) Property tax levies for the support of local governments for fiscal years beginning on or after July 1, 1998, shall be limited to the amounts set forth in this section except as provided in section 77-3444.

(2)(a) Except as provided in subdivision ~~(2)(b)~~ (2)(d) of this section, school districts and multiple-district school systems, except learning communities and school districts that are members of learning communities, may levy a maximum levy of (i) one dollar and five cents per one hundred dollars of taxable valuation of property subject to the levy for fiscal years 2003-04 through 2007-08 and (ii) one dollar per one hundred dollars of taxable valuation of property subject to the levy for all fiscal years except fiscal years 2003-04 through 2007-08.

(b) Except as provided in subdivision (2)(d) of this section, for fiscal year 2008-09 and each fiscal year thereafter, (i) learning communities may levy a maximum levy for the general fund budgets of member school districts equal to the ratio of the aggregate difference of one hundred ten percent of the formula needs as calculated pursuant to section 79-1007.02 minus the amount of state aid certified pursuant to section 79-1022 and minus the other actual receipts included in local system formula resources pursuant to section 79-1018.01 for each member school district for such school fiscal year divided by each one hundred dollars of taxable property subject to the levy, except that such levy shall not exceed one dollar and two cents on each one hundred dollars of taxable property subject to the levy, and (ii) school districts that are members of learning communities may levy a maximum levy of the difference of one dollar and two cents on each one hundred dollars of taxable property subject to the levy minus the learning community levy pursuant to this subdivision for purposes of such school district's general fund budget and special building funds.

(c) Excluded from this limitation the limitations in subdivisions (a) and (b) of this subsection are amounts levied to pay for sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment and amounts levied to pay for special building funds and sinking funds established for projects commenced prior to April 1, 1996, for construction, expansion, or alteration of school district buildings. For purposes of this subsection, commenced means any action taken

by the school board on the record which commits the board to expend district funds in planning, constructing, or carrying out the project.

~~(b)~~ (d) Federal aid school districts may exceed the maximum levy prescribed by subdivision (2)(a) or (b) of this section only to the extent necessary to qualify to receive federal aid pursuant to Title VIII of Public Law 103-382, as such title existed on September 1, 2001. For purposes of this subdivision, federal aid school district means any school district which receives ten percent or more of the revenue for its general fund budget from federal government sources pursuant to Title VIII of Public Law 103-382, as such title existed on September 1, 2001.

~~(e)~~ (e) For school fiscal year 2002-03 through school fiscal year 2007-08, school districts and multiple-district school systems may, upon a three-fourths majority vote of the school board of the school district, the board of the unified system, or the school board of the high school district of the multiple-district school system that is not a unified system, exceed the maximum levy prescribed by subdivision (2)(a) of this section in an amount equal to the net difference between the amount of state aid that would have been provided under the Tax Equity and Educational Opportunities Support Act without the temporary aid adjustment factor and ~~if subdivision (3) of section 79-1007.02 and subsections (2) and (5) of section 79-1008.01 had applied as defined in section 79-1003~~ for the ensuing school fiscal year for the school district or multiple-district school system and the amount provided with the temporary aid adjustment factor, ~~and if subdivision (4) of section 79-1007.02 and subsections (3) and (6) of section 79-1008.01 had applied.~~ The State Department of Education shall certify to the school districts and multiple-district school systems the amount by which the maximum levy may be exceeded for the next school fiscal year pursuant to this subdivision ~~(2)-(e)~~ (e) of this ~~section~~ subsection on or before February 15 for school fiscal years 2004-05 through 2007-08.

(f) For fiscal year 2008-09 and each fiscal year thereafter, learning communities may levy a maximum levy of two cents on each one hundred dollars of taxable property subject to the levy for special building funds for member school districts.

(g) For fiscal year 2008-09 and each fiscal year thereafter, learning communities may levy a maximum levy of one cent on each one hundred dollars of taxable property subject to the levy for the learning community budget and for projects approved by the learning community coordinating council.

(3) Community colleges may levy a maximum levy on each one hundred dollars of taxable property subject to the levy of seven cents, plus amounts allowed under subsection (7) of section 85-1536.01, except that any community college whose valuation per reported aid equivalent student as defined in section 85-1503 was less than eighty-two percent of the average valuation per statewide reimbursable reported aid equivalent total as defined in section 85-1503 for all community colleges for fiscal year 1997-98 may levy up to an additional one-half cent for each of fiscal years 2005-06 and 2006-07 upon a three-fourths majority vote of the board.

(4) Natural resources districts may levy a maximum levy of four and one-half cents per one hundred dollars of taxable valuation of property subject to the levy. Natural resources districts shall also have the power and authority to levy a tax equal to the dollar amount by which their restricted funds budgeted to administer and implement ground water management activities and integrated management activities under the Nebraska Ground Water Management and Protection Act exceed their restricted funds budgeted to administer and implement ground water management activities and integrated management activities for FY2003-04, not to exceed one cent on each one hundred dollars of taxable valuation annually on all of the taxable property within the district.

(5) Educational service units may levy a maximum levy of one and one-half cents per one hundred dollars of taxable valuation of property subject to the levy.

(6)(a) Incorporated cities and villages which are not within the boundaries of a municipal county may levy a maximum levy of forty-five cents per one hundred dollars of taxable valuation of property subject to the levy plus an additional five cents per one hundred dollars of taxable valuation to provide financing for the municipality's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The maximum levy shall include amounts levied to pay for sums to support a library pursuant to section 51-201, museum pursuant to section 51-501, visiting community nurse, home health nurse, or home health agency pursuant to section 71-1637, or statue, memorial, or monument pursuant to section 80-202.

(b) Incorporated cities and villages which are within the boundaries of a municipal county may levy a maximum levy of ninety cents per one hundred dollars of taxable valuation of property subject to the levy. The maximum levy shall include amounts paid to a municipal county for county services, amounts levied to pay for sums to support a library pursuant to section 51-201, a museum pursuant to section 51-501, a visiting community nurse, home health nurse, or home health agency pursuant to section 71-1637, or a statue, memorial, or monument pursuant to section 80-202.

(7) Sanitary and improvement districts which have been in existence for more than five years may levy a maximum levy of forty cents per one hundred dollars of taxable valuation of property subject to the levy, and sanitary and improvement districts which have been in existence for five years or less shall not have a maximum levy. Unconsolidated sanitary and improvement districts which have been in existence for more than five years and are located in a municipal county may levy a maximum of eighty-five cents per hundred dollars of taxable valuation of property subject to the levy.

(8) Counties may levy or authorize a maximum levy of fifty cents per one hundred dollars of taxable valuation of property subject to the levy, except that five cents per one hundred dollars of taxable valuation of property subject to the levy may only be levied to provide financing for the county's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. The maximum levy shall include amounts levied to pay for sums to support a library pursuant to section 51-201 or museum pursuant to section 51-501. The county may allocate up to fifteen cents of its authority to other political subdivisions subject to allocation of property tax authority under subsection (1) of section 77-3443 and not specifically covered in this section to levy taxes as authorized by law which do not collectively exceed fifteen cents per one hundred dollars of taxable valuation on any parcel or item of taxable property. The county may allocate to one or more other political subdivisions subject to allocation of property tax authority by the county under subsection (1) of section 77-3443 some or all of the county's five cents per one hundred dollars of valuation authorized for support of an agreement or agreements to be levied by the political subdivision for the purpose of supporting that political subdivision's share of revenue required under an agreement or agreements executed pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act. If an allocation by a county would cause another county to exceed its levy authority under this section, the second county may exceed the levy authority in order to levy the amount allocated.

(9) Municipal counties may levy or authorize a maximum levy of one dollar per one hundred dollars of taxable valuation of property subject to the levy. The municipal county may allocate levy authority to any political subdivision or entity subject to allocation under section 77-3443.

(10) Property tax levies for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a political subdivision which require or obligate a political subdivision to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a political subdivision, for preexisting lease-purchase contracts approved prior to July 1, 1998, for bonded indebtedness approved according to law and secured by a levy on property, and for payments by a public airport to retire interest-free loans from the Department of Aeronautics in lieu of bonded indebtedness at a lower cost to the public airport are not included in the levy limits established by this section.

(11) The limitations on tax levies provided in this section are to include all other general or special levies provided by law. Notwithstanding other provisions of law, the only exceptions to the limits in this section are those provided by or authorized by sections 77-3442 to 77-3444.

(12) Tax levies in excess of the limitations in this section shall be considered unauthorized levies under section 77-1606 unless approved under section 77-3444.

(13) For purposes of sections 77-3442 to 77-3444, political subdivision means a political subdivision of this state and a county agricultural society.

Sec. 15. Section 79-102, Revised Statutes Supplement, 2005, is amended to read:

79-102 School districts in this state are classified as follows:

(1) Class II includes any school district embracing territory having a population of one thousand inhabitants or less that maintains both elementary and high school grades under the direction of a single school board;

(2) Class III includes any school district embracing territory having a population of more than one thousand and less than one hundred fifty

thousand inhabitants that maintains both elementary and high school grades under the direction of a single school board;

(3) Class IV includes any school district embracing territory having a population of one hundred thousand or more inhabitants with a city of the primary class within the territory of the district that maintains both elementary and high school grades under the direction of a single school board; and

(4) Class V includes any school district ~~embracing whose employees participate in a retirement system established pursuant to the Class V School Employees Retirement Act and which embraces territory having a population of two hundred thousand or more inhabitants with a city of the metropolitan class within the territory of the district that maintains both elementary grades and high school grades under the direction of a single school board and any school district with territory in a city of the metropolitan class created pursuant to the Learning Community Reorganization Act and designated as a Class V school district in the reorganization plan.~~

Sec. 16. (1) For school year 2008-09 and each school year thereafter, each member school district in a learning community shall establish a maximum capacity for each school building under such district's control. Each member school district shall also establish attendance areas for each school building under the district's control, except that the school board shall not establish attendance areas for school buildings with focus schools or programs. The attendance areas shall be established such that all of the territory of the school district is within an attendance area for each grade, but no territory of the school district is within more than one attendance area for a grade. Students residing in an attendance area shall be allowed to attend such school building for the grades offered.

(2) On or before March 1, 2008, and March 1 of each year thereafter, the school board shall certify to the learning community coordinating council the number of students that will be accepted into each school building from outside of the school building's attendance area for the next school year based on the established capacity and the estimated number of students who will attend the school building from the attendance area or as continuing students.

(3)(a) On or before March 15, 2008, and March 15 of each year thereafter, a parent or guardian of a student residing in a member school district in a learning community may apply to the learning community coordinating council to attend for the following school year a school building in the learning community that is not in an attendance area where the student resides. On or before April 1, 2008, and April 1 of each year thereafter, the learning community coordinating council shall accept or reject such applications based on the number of such students the school district is willing to accept for a given school building and shall notify the applicant in writing of the acceptance or rejection.

(b) If more students have applied to attend a school building, other than a focus school or program, than the number of such students the school district is willing to accept for such building, the learning community coordinating council shall select applications for approval up to the number of such students the school district is willing to accept for such building as follows: (i) Students who qualify for free lunch shall be selected first, with applications for such students selected randomly up to the number of students the school district is willing to accept for such building; (ii) students who qualify for reduced-price lunch shall be selected randomly up to the remainder of the number of students the school district is willing to accept for such building if all of the applications for students who qualify for free lunch have been selected; and (iii) all other applications shall be selected randomly up to the remainder of the number of students the school district is willing to accept for such building if all of the applications for students who qualify for free lunch and reduced-price lunch have been selected.

(c) If more students have applied to attend a focus school or program than the number of such students the school district is willing to accept for such focus school or program, the learning community coordinating council shall select applications for approval up to the number of such students the school district is willing to accept for such building as follows: (i) Students who qualify for free lunch shall be selected randomly up to the product of the number of students the school district is willing to accept for such focus school or program multiplied by the ratio of students qualifying for free lunch in the learning community divided by the total formula students in the learning community; (ii) students qualifying for reduced-price lunch shall be selected randomly up to the product of the number of students the school district is willing to accept for such focus school or program multiplied by the ratio of students qualifying for

reduced-price lunch in the learning community divided by the total formula students in the learning community; (iii) students who do not qualify for free or reduced-price lunch shall be selected randomly up to the product of the number of students the school district is willing to accept for such school or program multiplied by the ratio of students not qualifying for free or reduced-price lunch in the learning community divided by the total formula students in the learning community; and (iv) students who were not selected pursuant to subdivision (c) (i), (ii), or (iii) of this subsection shall be selected randomly up to the number of students the school district is willing to accept for such school or program minus the number of students that were selected pursuant to subdivisions (c) (i), (ii), and (iii) of this subsection.

(d) Any student who attended a particular school building in the prior school year and who is seeking education in the grades offered in such school building shall be allowed to continue attending such school building as a continuing student.

(4) On or before February 15 of each year, a parent or guardian of a student who is currently attending a school building outside of the attendance area where the student resides and who will complete the grades offered at such school building prior to the following school year shall provide notice, on a form provided by the school district, to the school board of the school district containing such school building if such student will attend another school building within such district as a continuing student and which school building such student would prefer to attend. On or before March 1, such school board shall provide a notice to such parent or guardian stating which school building or buildings the student will be allowed to attend in such school district as a continuing student for the following school year. If the student resides within the school district, the notice shall include the school building offering the grade the student will be entering for the following school year in the attendance area where the student resides. This subsection shall not apply to focus schools or programs.

(5) A parent or guardian of a student who moves to a new residence in the learning community after April 1 may apply directly to a school board within the learning community within ninety days after moving for the student to attend a school building outside of the attendance area where the student resides. Such school board shall accept or reject such application within fifteen days after receiving the application, based on the capacity established pursuant to subsection (2) of this section.

(6) A parent or guardian of a student who wishes to change school buildings for emergency or hardship reasons may apply directly to a school board within the learning community at any time for the student to attend a school building outside of the attendance area where the student resides. Such application shall state the emergency or hardship and shall be kept confidential by the school board. Such school board shall accept or reject such application within fifteen days after receiving the application, based on the judgment of such school board, except that the board may not exceed the established capacity.

Sec. 17. Section 79-232, Reissue Revised Statutes of Nebraska, is amended to read:

79-232 ~~(1)~~ The Legislature finds and declares that parents and legal guardians have the primary responsibility of ensuring that their children receive the best education possible. In recognition of this responsibility, the Legislature intends to provide educational options for parents and legal guardians, when deciding what public school or public school district is best for their children, by allowing them to consider the following factors, including, but not limited to:

- ~~(a)~~ (1) The size of the schools and school districts in the area;
- ~~(b)~~ (2) The distance children have to travel and the ease and availability of transportation;
- ~~(c)~~ (3) The course offerings and extracurricular offerings of the schools and school districts in the area;
- ~~(d)~~ (4) The quantity and quality of the staff at such schools and school districts; and
- ~~(e)~~ (5) The performance of the school district on any indicators of performance established by the State Department of Education.

~~(2)~~ The Legislature also finds and declares that desegregation and racial integration in the public schools are of critical importance for the future of this state and that those school districts with desegregation plans may, as authorized in section 79-238, adopt standards which deny the educational options for parents and that such school districts are not required to consider, in denying such options, any of the factors in subsection ~~(1)~~ of this section or any other factors considered by parents or legal guardians in seeking enrollment for a child in a school district in

which they do not reside.

Sec. 18. Section 79-233, Reissue Revised Statutes of Nebraska, is amended to read:

79-233 For purposes of sections 79-232 to 79-246:

(1) Enrollment option program means the program established in section 79-234;

(2) Option school district means the public school district that a student chooses to attend ~~other than~~ instead of his or her resident school district, except when a student chooses to attend another school district in a learning community in which the student resides pursuant to section 16 of this act;

(3) Option student means a student that has chosen to attend a ~~public school district other than his or her resident~~ an option school district;

(4) Resident school district means the public school district in which a student resides; and

(5) Siblings means all children residing in the same household on a permanent basis who have the same mother or father or who are stepbrother or stepsister to each other.

Sec. 19. Section 79-237, Reissue Revised Statutes of Nebraska, is amended to read:

79-237 ~~(1)(a) Except as provided in subdivision (b) of this subsection, for~~ (1) For a student to attend school in an option school district, the student's parent or legal guardian shall submit an application to the school board of the option school district between September 1 and March 15 for enrollment during the following and subsequent school years. Applications submitted after March 15 shall be accompanied by a written release from the resident school district. The option school district shall provide the resident school district with the name of the applicant on or before April 1. The option school district shall notify, in writing, the parent or legal guardian of the student and the resident school district, and the State Department of Education whether the application is accepted or rejected on or before April 1.

~~(b) For a student to attend school in an option school district whose resident school district has a desegregation plan adopted by the school board or ordered by the federal court, the student's parent or legal guardian shall submit an application to the school board of the resident school district between September 1 and January 1 for enrollment during the following and subsequent school years. If the application is accepted, the resident school district shall notify, in writing, the option school district and the parent or legal guardian of the student on or before February 1. If the application is rejected, the resident school district shall notify, in writing, the parent or legal guardian of the student on or before February 1. If the application is accepted by the resident school district, the option school district shall notify, in writing, the parent or legal guardian of the student, the resident school district, and the State Department of Education whether the application is accepted or rejected by the option school district on or before April 1.~~

(2) Applications for students who do not actually attend the option school district may be withdrawn in good standing upon mutual agreement by both the resident and option school districts.

(3) No option student shall attend an option school district for less than one school year unless the student relocates to a different resident school district, completes requirements for graduation prior to the end of his or her senior year, transfers to a private or parochial school, or upon mutual agreement of the resident and option school districts cancels the enrollment option and returns to the resident school district.

(4) Except as provided in subsection (3) of this section, the option student shall attend the option school district until graduation unless the student relocates in a different resident school district, transfers to a private or parochial school, or chooses to return to the resident school district.

(5) In each case of cancellation pursuant to subsections (3) and (4) of this section, the student's parent or legal guardian shall notify the school board of the option school district and the resident school district and the department by March 15 for automatic approval for the following school year.

(6) The application and cancellation forms shall be prescribed and furnished by the State Department of Education.

(7) An option student who subsequently chooses to attend a private or parochial school shall be automatically accepted to return to either the resident school district or option school district upon the completion of

the grade levels offered at the private or parochial school. If such student chooses to return to the option school district, the student's parent or legal guardian shall submit another application to the school board of the option school district which shall be automatically accepted, and the deadlines prescribed in this section shall be waived.

Sec. 20. Section 79-238, Reissue Revised Statutes of Nebraska, is amended to read:

79-238 (1) Except as provided in section 79-240, the school board of the option school district shall adopt by resolution specific standards for acceptance and rejection of applications. Standards may include the capacity of a program, class, grade level, or school building or the availability of appropriate special education programs operated by the option district. Capacity shall be determined by setting a maximum number of option students that a district will accept in any program, class, grade level, or school building, based upon available staff, facilities, projected enrollment of resident students, projected number of students with which the option district will contract based on existing contractual arrangements, and availability of appropriate special education programs. The school board of the option school district may by resolution declare a program, a class, or a school unavailable to option students due to lack of capacity. Standards shall not include previous academic achievement, athletic or other extracurricular ability, disabilities, proficiency in the English language, or previous disciplinary proceedings except as provided in section 79-266.01.

~~(2) A school district that has a desegregation plan adopted by the school board or ordered by the federal court may adopt standards for acceptance and rejection of applications for transfer into or out of such district which are designed to make desegregation easier to maintain or improve. Desegregation is made easier to maintain or improve by standards which, considering all requests for transfer into or out of the school district received prior to the school district's application deadline established in conformity with section 79-237 or 79-240, prohibit transfers which if granted would increase the racial percentage in the school district's total enrollment of the minority group for whom the desegregation plan was ordered or adopted. Any such standards may apply to students residing within the school district who seek to transfer to a school in another school district and to students who reside in another district who seek to transfer into a school district which has a desegregation plan.~~

~~(3) (2) Any option school district shall give first priority for enrollment to option students whose request for enrollment would aid the racial integration of the option school district and the resident school district and to siblings of option students, except that the option school district shall not be required to accept the sibling of an option student if the district is at capacity except as provided in subsections (2) and (4) of section 79-240.~~

~~(4) For purposes of this section, racial integration is aided if a student transfers to an option school district in which his or her race is a smaller percentage of the total student enrollment of the option school district than it is of the student's resident school district.~~

Sec. 21. Section 79-407, Revised Statutes Supplement, 2005, is amended to read:

79-407 The territory within the corporate limits of each incorporated city or village in the State of Nebraska that is not in part within the boundaries of a learning community, together with such additional territory and additions to such city or village as may be added thereto, as declared by ordinances to be boundaries of such city or village, having a population of more than one thousand and less than one hundred fifty thousand inhabitants, including such adjacent territory as now is or hereafter may be attached for school purposes, shall constitute a Class III school district, except that nothing in this section shall be construed to change the boundaries of any school district that is a member of a learning community. ~~Except as provided in section 79-473, the title to all school buildings or other real or personal property owned by any school district within the corporate limits of any city or village shall, upon the organization of the school district, vest immediately in the new school district. The school board of the new school district shall have exclusive control of such buildings and real or personal property for all purposes contemplated in this section.~~

Sec. 22. Section 79-408, Revised Statutes Supplement, 2005, is amended to read:

79-408 The territory now or hereafter embraced within each incorporated city of the primary class in the State of Nebraska that is not in part within the boundaries of a learning community, such adjacent territory as now or hereafter may be included therewith for school purposes, and such

territory not adjacent thereto as may have been added thereto by law shall constitute a Class IV school district, except that nothing in this section shall be construed to change the boundaries of any school district that is a member of a learning community. The powers of a Class IV district include, but are not limited to, the power to adopt, administer, and amend from time to time such retirement, annuity, insurance, and other benefit plans for its present and future employees after their retirement, or any reasonable classification thereof, as may be deemed proper by the board of education. The board of education shall not establish a retirement system for new employees supplemental to the School Employees Retirement System of the State of Nebraska.

The title to all real or personal property owned by such school district shall, upon the organization of the school district, vest immediately in the school district so created. The board of education shall have exclusive control of all property belonging to the school district.

In the discretion of the board of education, funds accumulated in connection with a retirement plan may be transferred to and administered by a trustee or trustees to be selected by the board of education, or if the retirement plan is in the form of annuity or insurance contracts, such funds, or any part thereof, may be paid to a duly licensed insurance carrier or carriers selected by the board of education. Funds accumulated in connection with any such retirement plan, and any other funds of the school district which are not immediately required for current needs or expenses, may be invested and reinvested by the board of education or by its authority in securities of a type permissible either for the investment of funds of a domestic legal reserve life insurance company or for the investment of trust funds, according to the laws of the State of Nebraska.

Sec. 23. Section 79-409, Revised Statutes Supplement, 2005, is amended to read:

79-409 Each incorporated city of the metropolitan class in the State of Nebraska shall ~~constitute~~ contain at least one Class V school district.

Sec. 24. Section 79-413, Revised Statutes Supplement, 2005, is amended to read:

79-413 (1) The State Committee for the Reorganization of School Districts created under section 79-435 may create a new school district from other districts or change the boundaries of any Class II, III, ~~IV~~, ~~or V~~ or IV school district that is not a member of a learning community upon receipt of petitions signed by sixty percent of the legal voters of each district affected. If the petitions contain signatures of at least sixty-five percent of the legal voters of each district affected, the state committee shall approve the petitions.

(2) Petitions proposing to change the boundaries of existing school districts that are not members of a learning community through the transfer of a parcel of land, not to exceed six hundred forty acres, shall be approved by the state committee when the petitions involve the transfer of land between Class II, III, or IV, ~~or V~~ school districts or when there would be an exchange of parcels of land between Class II, III, ~~IV~~, ~~or V~~ or IV school districts and the petitions have the approval of at least sixty-five percent of the school board of each affected district.

(3)(a) Petitions proposing to create a new school district or to change the boundary lines of existing Class II, III, ~~IV~~, ~~or V~~ or IV school districts that are not members of a learning community, any of which involves the transfer of more than six hundred forty acres, shall, when signed by at least sixty percent of the legal voters in each district affected, be submitted to the state committee. The state committee shall, within forty days after receipt of the petition, hold one or more public hearings and review and approve or disapprove such proposal.

(b) If there is a bond election to be held in conjunction with the petition, the state committee shall hold the petition until the bond election has been held, during which time names may be added to or withdrawn from the petitions. The results of the bond election shall be certified to the state committee.

(c) If the bond election held in conjunction with the petition is unsuccessful, no further action on the petition is required. If the bond election is successful, within fifteen days after receipt of the certification of the bond election results, the state committee shall approve the petition and notify the county clerk to effect the changes in district boundary lines as set forth in the petitions.

(4) Any person adversely affected by the changes made by the state committee pursuant to this section may appeal to the district court of any county in which the real estate or any part thereof involved in the dispute is located. If the real estate is located in more than one county, the court in

which an appeal is first perfected shall obtain jurisdiction to the exclusion of any subsequent appeal.

(5) A signing petitioner may withdraw his or her name from a petition and a legal voter may add his or her name to a petition at any time prior to the end of the period when the petition is held by the state committee. Additions and withdrawals of signatures shall be by notarized affidavit filed with the state committee.

Sec. 25. Section 79-415, Revised Statutes Supplement, 2005, is amended to read:

79-415 In addition to the petitions of legal voters pursuant to section 79-413, changes in boundaries and the creation of a new school district from other districts may be initiated and accepted by the school board or board of education of any Class II, III, ~~IV~~, ~~or V~~ district or IV district that is not a member of a learning community.

Sec. 26. Section 79-416, Revised Statutes Supplement, 2005, is amended to read:

79-416 When the legal voters of a Class II school district that is not a member of a learning community and in which no city or village is located petition to merge in whole or in part with a Class II district, the merger may be accepted by petition of the school board of the accepting district.

Sec. 27. Section 79-433, Revised Statutes Supplement, 2005, is amended to read:

79-433 For purposes of the Reorganization of School Districts Act, unless the context otherwise requires:

(1) Reorganization of school districts means the formation of new school districts, the alteration of boundaries of established Class II, III, ~~IV~~, ~~or V~~ or IV school districts that are not members of a learning community, and the dissolution or disorganization of established school districts through or by means of any one or combination of the methods set out in section 79-434; and

(2) State committee means the State Committee for the Reorganization of School Districts created by section 79-435.

Sec. 28. Sections 28 to 41 of this act shall be known and may be cited as the Learning Community Reorganization Act.

Sec. 29. For purposes of the Learning Community Reorganization Act:

(1) Learning community has the definition found in section 103 of this act;

(2) Reorganization of school districts means the formation of new school districts that will become members of a learning community, the alteration of boundaries of established school districts that are members of a learning community, the dissolution or disorganization of established school districts that are members of a learning community through or by means of any one or combination of the methods set out in section 31 of this act, and any other alteration of school district boundaries involving a school district that is a member of a learning community; and

(3) State committee means the State Committee for the Reorganization of School Districts created by section 79-435.

Sec. 30. Any reorganization of school districts that affects a school district that is a member of a learning community, except dissolutions pursuant to section 79-470, 79-498, 79-499, or 79-598, shall only be accomplished pursuant to the Learning Community Reorganization Act, based on a plan submitted to the state committee by the learning community coordinating council.

Sec. 31. Reorganization of school districts pursuant to the Learning Community Reorganization Act may be accomplished through or by means of any one or more of the following methods: (1) The creation of new districts; (2) the uniting of one or more established districts; (3) the subdivision of one or more established districts; (4) the transfer and attachment to an established district of a part of the territory of one or more districts; and (5) the dissolution or disorganization of an established district for any of the reasons specified by law.

Sec. 32. In the review of a plan for the reorganization of school districts pursuant to the Learning Community Reorganization Act, the state committee shall give due consideration to (1) the educational needs of the learning community, (2) economies in administration costs, (3) the future use of existing satisfactory school buildings, sites, and play fields, (4) the convenience and welfare of pupils, (5) transportation requirements, (6) the equalization of the educational opportunity of pupils, (7) the amount of outstanding indebtedness of each district and proposed disposition thereof, (8) the equitable adjustment of all property, debts, and liabilities among the districts involved, (9) any additional statutory requirements for learning

community organization, and (10) any other matters which, in its judgment, are of importance. The learning community coordinating council proposing the plan of reorganization, in preparation or review of a plan for reorganization, shall take into consideration any advice or suggestions offered by the state committee.

Sec. 33. Before any plan of reorganization submitted by a learning community coordinating council is approved by the state committee pursuant to the Learning Community Reorganization Act, the state committee shall hold one or more public hearings. At such hearings, the state committee shall hear any and all persons interested with respect to the areas of consideration listed in section 32 of this act. The state committee shall keep a record of all hearings in the formulation or approval of plans for the reorganization of school districts. Notice of such public hearings of the state committee shall be given by publication in a legal newspaper of general circulation in the county or counties in which the affected districts are located at least ten days prior to such hearing.

Sec. 34. After one or more public hearings have been held, the state committee may approve a plan or plans of reorganization pursuant to the Learning Community Reorganization Act. Such plan shall contain:

(1) A description of the proposed boundaries of the reorganized districts and a designation of the class for each district;

(2) A summary of the reasons for each proposed change, realignment, or adjustment of the boundaries which shall include, but not be limited to, an explanation of how the plan complies with any statutory requirements for learning community organization and an assurance that the plan does not increase the geographic size of any school district that has more than twenty-five thousand students;

(3) A summary of the terms on which reorganization is to be made between the reorganized districts. Such terms shall include a provision for initial school board districts or wards within the proposed district, which proposed initial school board districts or wards shall be determined by the state committee taking into consideration population and valuation, and a determination of the terms of the board members first appointed to membership on the board of the newly reorganized district;

(4) A statement of the findings with respect to the location of schools, the utilization of existing buildings, the construction of new buildings, and the transportation requirements under the proposed plan of reorganization;

(5) A map showing the boundaries of established school districts and the boundaries proposed under any plan or plans of reorganization; and

(6) Such other matters as the state committee determines proper to be included.

Sec. 35. The state committee shall, within thirty days after holding the hearings provided for in section 33 of this act, notify the learning community whether or not it approves or disapproves such plan or plans.

Sec. 36. Except as provided in section 41 of this act, if the state committee disapproves the plan pursuant to the Learning Community Reorganization Act, it shall be considered a disapproved plan and returned to the learning community coordinating council as a disapproved plan.

Sec. 37. When a plan of reorganization or any part thereof has been approved by the state committee pursuant to the Learning Community Reorganization Act, it shall be designated as the final approved plan and shall be returned to the learning community coordinating council to be submitted to the school boards of the affected school districts for approval or rejection by such school boards within forty-five days, except that reorganizations required pursuant to section 41 of this act shall not require the approval of any school board and approval shall not be required by any school board for dissolutions required pursuant to section 110 of this act.

Sec. 38. Whenever two or more school districts are involved in a reorganization plan pursuant to the Learning Community Reorganization Act, the old districts shall continue to be responsible for any indebtedness incurred before the reorganization takes place unless a different arrangement is included in the plan.

Sec. 39. If the plan of reorganization is approved by the state committee and the school board of each affected school district, if required, pursuant to the Learning Community Reorganization Act, the county clerk shall proceed to cause the changes, realignment, and adjustment of districts to be carried out as provided in the plan. The county clerk shall classify the school districts according to the plan of reorganization. He or she shall also file certificates with the county assessor, county treasurer, and state committee showing the boundaries of the various districts under the approved plan of reorganization.

Sec. 40. (1) Within thirty days after the classification of the reorganized school districts by the county clerk under section 39 of this act, the state committee shall appoint from among the legal voters of each new school district created the number of members necessary to constitute a school board of the class in which the new school district has been classified. A reorganized school district shall be formed and organized and shall have a school board not later than April 1 following the last legal action, as prescribed in section 39 of this act, necessary to effect the changes in boundaries as set forth in the plan of reorganization, although the physical reorganization of such reorganized school district shall take effect July 1 following the classification of the reorganized school districts under section 39 of this act. The first board shall be appointed on an at-large basis, and all boards shall be elected at large until such time as election districts are established as provided in section 32-554.

(2) In appointing the first school board of a Class II school district, the members shall be appointed so that the terms of three members expire on the date of the first regular meeting of the board in January after the first even-numbered year following their appointment and the terms of the three remaining members expire on the date of the first regular meeting of the board in January after the second even-numbered year following their appointment. At the statewide general election in the first even-numbered year after the reorganization, three board members in each Class II school district shall be elected to terms of four years. Thereafter all candidates shall be elected to terms of four years. Each member's term shall begin on the date of the first regular meeting of the board in January following his or her election.

(3) In appointing the first school board of a Class III school district with a six-member board serving terms of four years, the terms of three members shall expire on the first Thursday after the first Tuesday in January after the first even-numbered year following their appointment and the terms of the three remaining members shall expire on the first Thursday after the first Tuesday in January after the second even-numbered year following their appointment. Thereafter all Class III district school boards with six-member boards shall be elected to terms of four years.

(4) In appointing the first school board of a Class III school district with a nine-member board serving terms of four years, the terms of four members shall expire on the first Thursday after the first Tuesday in January after the first even-numbered year following their appointment and the terms of five members shall expire on the first Thursday after the first Tuesday in January after the second even-numbered year following their appointment. Thereafter all Class III district school boards with nine-member boards shall be elected to terms of four years.

(5) In appointing the first school board of a Class IV school district, the members shall be appointed so that the terms of three members shall expire on the third Monday in May of the first odd-numbered year following their appointment and the terms of four members shall expire on the third Monday in May of the second odd-numbered year following their appointment. Thereafter all Class IV district school boards shall be elected to terms of four years.

(6) In appointing the first school board of a Class V school district with a twelve-member board serving terms of four years, the terms of six members shall expire on the first Monday in January after the first even-numbered year following their appointment and the terms of six members shall expire on the first Monday in January after the second even-numbered year following their appointment. Thereafter all Class V district school boards shall be elected to terms of four years.

(7) The school boards appointed under this section shall proceed at once to organize in the manner prescribed by law.

Sec. 41. (1) On or before July 1, 2007, each learning community coordinating council shall submit a plan to the state committee to divide any Class V school districts in the learning community into new Class V school districts organized around the attendance areas of existing high school buildings which are not currently being used exclusively for specialized programs, with two or three such high school buildings in each new Class V school district. Such new Class V districts shall consist of school buildings having attendance areas which are contiguous. The effective date for reorganizations pursuant to this section shall be July 1, 2008. Such reorganizations shall not be subject to the approval or disapproval of any school board pursuant to section 37 of this act.

(2) If the state committee disapproves such plan pursuant to section 35 of this act, the state committee shall revise the plan and shall hold one or more hearings pursuant to section 33 of this act on the revised plan. The

state committee may further revise the plan and hold one or more additional hearings pursuant to such section.

(3) If a learning community coordinating council fails to submit a plan as required pursuant to subsection (1) of this section on or before July 1, 2007, the state committee shall develop a plan to divide any Class V school districts in the learning community into new Class V school districts organized around the attendance areas of the existing high school buildings which are not currently being used exclusively for specialized programs, with two or three such high school buildings in each new Class V school district. The state committee shall hold a hearing pursuant to section 33 of this act and may revise the plan and may hold one or more additional hearings pursuant to such section.

(4) On or before December 31, 2007, the state committee shall approve plans to divide all Class V school districts in learning communities into new Class V school districts organized around the attendance areas of existing high school buildings, which are not currently being used exclusively for specialized programs, with two or three such high school buildings in each new Class V school district.

Sec. 42. Section 79-452, Revised Statutes Supplement, 2005, is amended to read:

79-452 A proposal to dissolve a Class II school district and attach it to one or more existing Class II, III, ~~IV~~, ~~or V~~ or IV school districts that are not members of a learning community may be initiated by filing with the State Committee for the Reorganization of School Districts a petition or petitions signed by at least twenty-five percent of the legal voters of the district, together with an affidavit from the county clerk or election commissioner listing all legal voters of the district and a determination by the county clerk or election commissioner that the signatures are sufficient. The petition shall contain a plan of the proposed reorganization, an effective date, and a statement whether any existing bonded indebtedness shall remain on the property of the district which incurred it or be assumed by the enlarged district. The petition may also contain provisions for the holding of school within existing buildings in the proposed reorganized district, and when so provided, the holding of school within such buildings shall be maintained from the date of reorganization unless either the legal voters served by the school or the school board of the reorganized district votes by a majority vote for discontinuance of the school. In case of conflicting votes between the legal voters and the school board on such issue, the decision of the legal voters shall prevail. A signing petitioner shall not be permitted to withdraw his or her name from the petition after the petition has been filed. The school board of each Class II, III, ~~IV~~, ~~or V~~ or IV district to which the merger is proposed shall also submit to the state committee a statement to the effect that a majority of the board members approve the proposal contained in the petition.

Sec. 43. Section 79-458, Reissue Revised Statutes of Nebraska, is amended to read:

79-458 (1) Any freeholder or freeholders, person in possession or constructive possession as vendee pursuant to a contract of sale of the fee, holder of a school land lease under section 72-232, or entrant upon government land who has not yet received a patent therefor may file a petition with a board consisting of the county assessor, county clerk, and county treasurer, asking to have any tract or tracts of land described in the petition set off from an existing Class II or III school district in which the land is situated and attached to an accredited district which is contiguous to such tract or tracts of land if:

(a) The Class II or III school district has had an average daily membership in grades nine through twelve of less than sixty for the two consecutive school fiscal years immediately preceding the filing of the petition;

(b) The Class II or III school district has voted to exceed the maximum levy established pursuant to subdivision (2)(a) of section 77-3442, which vote is effective for the school fiscal year in which the petition is filed or for the following school fiscal year; ~~and~~

(c) The high school is within fifteen miles on a maintained public highway or maintained public road of another high school; ~~and~~ -

(d) Neither school district is a member of a learning community.

For purposes of determining whether a tract of land is contiguous, all petitions currently being considered by the board shall be considered together as a whole.

(2) The petition shall state the reasons for the proposed change and shall show with reference to the land of each petitioner: (a) That (i) the land described in the petition is either owned by the petitioner or petitioners or that he, she, or they hold a school land lease under

section 72-232, are in possession or constructive possession as vendee under a contract of sale of the fee simple interest, or have made an entry on government land but have not yet received a patent therefor and (ii) such tract of land includes all such contiguous land owned or controlled by each petitioner; (b) that the land described in the petition is located in a Class II or III district that is not a member of a learning community, the district has had an average daily membership in grades nine through twelve of less than sixty for the two consecutive school fiscal years immediately preceding the filing of the petition, the district has voted to exceed the maximum levy established pursuant to subdivision (2)(a) of section 77-3442 as provided in subdivision (1)(b) of this section, and the land is to be attached to an accredited school district which is contiguous to such tract or tracts of land and which is not a member of a learning community; and (c) that such petition is approved by a majority of the members of the school board of the district to which such land is sought to be attached.

(3) The petition shall be verified by the oath of each petitioner. Notice of the filing of the petition and of the hearing on such petition before the board constituted as prescribed in subsection (1) or (4) of this section shall be given at least ten days prior to the date of such hearing by one publication in a legal newspaper of general circulation in each district and by posting a notice on the outer door of the schoolhouse in each district affected thereby, and such notice shall designate the territory to be transferred. Such board shall, after a public hearing on the petition and a determination that all requirements of this section have been complied with, change the boundaries of the school districts so as to set off the land described in the petition and attach it to such district pursuant to the petition.

(4) Petitions requesting transfers of property across county lines shall be addressed jointly to the county clerks of the counties concerned, and the petitions shall be acted upon by the county assessors, county clerks, and county treasurers of the counties involved as one board, with the county clerk of the county from which the land is sought to be transferred acting as chairperson of the board.

(5) Appeals may be taken from the action of such board or, when such board fails to agree, to the district court of the county in which the land is located within twenty days after entry of such action on the records of the board by the county clerk of the county in which the land is located or within twenty days after March 15 if such board fails to act upon such petition, in the same manner as appeals are now taken from the action of the county board in the allowance or disallowance of claims against the county.

(6) This section does not apply to any school district located on an Indian reservation and substantially or totally financed by the federal government.

Sec. 44. Section 79-458.01, Reissue Revised Statutes of Nebraska, is amended to read:

79-458.01 Any landowner or group of landowners whose property is a part of a school district and is encapsulated by another school district may, upon filing a notarized affidavit with the county assessor, have such property become a part of the school district by which it is encapsulated if neither school district is a member of a learning community. The transfer shall take place on January 1 next following the filing of the affidavit. Any student resident of such property shall be counted as a resident of the district from which the property was transferred until the close of the school year in which the transfer becomes effective.

For purposes of this section, encapsulated by means entirely within.

Sec. 45. Section 79-467, Reissue Revised Statutes of Nebraska, is amended to read:

79-467 Whenever (1) a school district that is not a member of a learning community suffers a reduction in the taxable valuation of the real property within the district by reason of the purchase or appropriation by the United States or any instrumentality of the United States of land in the district for any defense, flood control, irrigation, or war project, (2) the number of children who are five through twenty years of age residing in the district increases by reason of the use by the United States of the land so purchased or appropriated for such purposes, and (3) such increase in the number of pupils who will be eligible to attend school in the district does or will require a levy of taxes for general school purposes in excess of the average levy for general school purposes of school districts of the same class in the county, the State Committee for the Reorganization of School Districts shall change the boundaries of the existing district to exclude all land purchased and appropriated by the United States and all land which by reason of its use or ownership is exempt from state taxation under the

United States Constitution and the statutes of the United States. When the United States, by the appropriate officer, does not accept or has not accepted exclusive jurisdiction over land so excluded, the state committee shall form a new school district embracing land thus excluded.

Sec. 46. Section 79-468, Reissue Revised Statutes of Nebraska, is amended to read:

79-468 (1) Whenever a city of the second class, a village, or a ward of a city of the second class or village is consolidated according to law with a city of the primary class ~~or a city of the metropolitan class~~, the territory so consolidated shall become annexed to and merged into the school district of such city of the primary class ~~or metropolitan class~~. All school property located in the territory annexed shall become the property of such district, and all if such territory is in a school district that is not a member of a learning community and the school district of such city of the primary class is not a member of a learning community. All laws, rules, and regulations governing the school district and schools of such city of the primary class ~~or metropolitan class~~ shall apply to the district and schools within the territory annexed to it. The school district into which the others in whole or in part are merged shall succeed to all the property, contracts, and obligations of each and all of the school districts so merged into it, in whole or in part, and shall assume all of their valid contracts and obligations.

(2) If one or more wards, but less than all wards, of a city of the second class or of a village become consolidated with such city of the primary class ~~or metropolitan class~~, the school district into which such territory is merged shall assume such portion of all valid contracts and obligations of the school district of which such territory before the consolidation was a part as the taxable valuation of all the property of the territory thus merged with the school district of such city of the primary class ~~or metropolitan class~~ bears to the total taxable valuation of all the property within the school district from which such territory has been detached.

Sec. 47. Section 79-469, Reissue Revised Statutes of Nebraska, is amended to read:

79-469 Upon a consolidation taking effect as provided in section 79-468, the office and tenure of all members of boards of education and other school district officers of the district which is annexed to and merged into the school district of the city of the primary class ~~or city of the metropolitan class~~ shall cease. All the officers of any city or village school district thus annexed having any of the funds, records, books, papers, or property of any kind in their hands or under their control shall immediately deliver the same to such officers of the district to which their district is annexed as are entitled to receive them.

Sec. 48. Section 79-473, Revised Statutes Supplement, 2005, is amended to read:

79-473 (1) If the territory annexed by a change of boundaries of a city or village which lies within a Class III school district as provided in section 79-407 has been part of a Class IV or Class V school district prior to such annexation, a merger of the annexed territory with the Class III school district shall become effective only if the merger is approved by a majority of the members of the school board of the Class IV or V school district and a majority of the members of the school board of the Class III school district within ninety days after the effective date of the annexation ordinance, except that a merger shall not become effective pursuant to this section if such merger involves a school district that is a member of a learning community.

(2) Notwithstanding subsection (1) of this section, when territory which lies within a Class III school district, Class VI school district, or Class I school district which is attached to a Class VI school district or which does not lie within a Class IV or V school district is annexed by a city or village pursuant to section 79-407, the affected school board of the city or village school district and the affected school board or boards serving the territory subject to the annexation ordinance shall meet within thirty days after the effective date of the annexation ordinance if neither school district is a member of a learning community and negotiate in good faith as to which school district shall serve the annexed territory and the effective date of any transfer. During the process of negotiation, the affected boards shall consider the following criteria:

(a) The educational needs of the students in the affected school districts;

(b) The economic impact upon the affected school districts;

(c) Any common interests between the annexed or platted area and the affected school districts and the community which has zoning jurisdiction over

the area; and

(d) Community educational planning.

If no agreement has been reached within ninety days after the effective date of the annexation ordinance, the territory shall transfer to the school district of the annexing city or village ten days after the expiration of such ninety-day period unless an affected school district petitions the district court within the ten-day period and obtains an order enjoining the transfer and requiring the boards of the affected school districts to continue negotiation. The court shall issue the order upon a finding that the affected board or boards have not negotiated in good faith based on one or more of the criteria listed in this subsection. The district court shall require no bond or other surety as a condition for any preliminary injunctive relief. If no agreement is reached after such order by the district court and additional negotiations, the annexed territory shall become a part of the school district of the annexing city or village.

(3) If, within the boundaries of the annexed territory, there exists a school building, facilities, or land owned by any class of school district, the school building, facilities, or land shall remain a part of the school district owning the school building, facilities, or land prior to the annexation. If the school district owning the school building, facilities, or land wishes to dispose of such school building, facilities, or land to any individual or political subdivision, the question of such disposition shall be placed on the ballot for the next primary or general election. All legal voters of such school district shall then vote on the question at such election. A simple majority of the votes cast shall resolve the issue.

(4) Whenever an application for approval of a final plat or replat is filed for territory which lies within the zoning jurisdiction of a city of the first or second class and does not lie within the boundaries of a Class IV or V school district, the boundaries of a school district that is a member of a learning community, the boundaries of any county in which a city of the metropolitan class is located, or the boundaries of any county that has a contiguous border with a city of the metropolitan class, the affected school board of the school district within the city of the first or second class or its representative and the affected board or boards serving the territory subject to the final plat or replat or their representative shall meet within thirty days after such application and negotiate in good faith as to which school district shall serve the platted or replatted territory and the effective date of any transfer based upon the criteria prescribed in subsection (2) of this section.

If no agreement has been reached prior to the approval of the final plat or replat, the territory shall transfer to the school district of the city of the first or second class upon the filing of the final plat unless an affected school district petitions the district court within ten days after approval of the final plat or replat and obtains an order enjoining the transfer and requiring the affected boards to continue negotiation. The court shall issue the order upon a finding that the affected board or boards have not negotiated in good faith based on one or more of the criteria listed in subsection (2) of this section. The district court shall require no bond or other surety as a condition for any preliminary injunctive relief. If no agreement is reached after such order by the district court and additional negotiations, the platted or replatted territory shall become a part of the school district of the city of the first or second class.

For purposes of this subsection, plat and replat apply only to (a) vacant land, (b) land under cultivation, or (c) any plat or replat of land involving a substantive change in the size or configuration of any lot or lots.

(5) Notwithstanding any other provisions of this section, all negotiated agreements relative to boundaries or to real or personal property of school districts reached by the affected school boards shall be valid and binding, except that such agreements shall not be binding on reorganization plans pursuant to the Learning Community Reorganization Act.

Sec. 49. Section 79-476, Reissue Revised Statutes of Nebraska, is amended to read:

79-476 All property within the corporate limits of cities of the metropolitan class, except such property as now is or may hereafter be exempt by law, shall be subject to taxation for all school purposes. The affairs of the school district created by Chapter 79 shall be conducted exclusively by the board of education except as otherwise provided by Chapter 79. ~~Any school district in an unincorporated area which maintains a high school shall, when its area or any part thereof is incorporated into a city of the metropolitan class, remain as a separate and independent district unless a majority of the legal voters of that district voting on the question vote in favor of~~

merging with the Class V school district in the city of the metropolitan class. Whenever a petition signed by twenty-five percent of the legal voters in such independent district is presented to the school board or board of education of such independent district requesting that a vote be taken for or against such merger, an election shall be called by the board for that purpose within a reasonable time, which in no event shall exceed six months, upon a notice given by the officers of such independent district at least twenty days prior to such election. Such election shall be conducted by the election commissioner of the county and results canvassed and certified by him or her to the boards of the respective districts involved in the merger. If a majority of the legal voters in such independent district voting on the question vote in favor of merging with the Class V district, the merger shall become effective upon an affirmative vote of a majority of the members of the board of education of the Class V district, except that if a majority of the members of the board of education of the Class V district do not vote in favor of the merger within ninety days after such election, the merger shall not become effective.

Sec. 50. Section 79-479, Revised Statutes Supplement, 2005, is amended to read:

79-479 (1)(a) Beginning January 1, 1992, any school district boundaries changed by the means provided by Nebraska law, but excluding the method provided by sections 79-407, 79-473 to 79-475, and 79-549 and 79-473 to 79-475, shall be made only upon an order issued by the State Committee for the Reorganization of School Districts or county clerk.

(b) The order issued by the state committee shall be certified to the county clerk of each county in which boundaries are changed and shall also be certified to the State Department of Education. Whenever the order changes the boundaries of a school district due to the transfer of land, the county assessor, the Property Tax Administrator, and the State Department of Education shall be provided with the legal description and a map of the parcel of land which is transferred. Such order shall be issued no later than June 1 and shall have an effective date no later than August 1 of the same year. For purposes of determining school district counts pursuant to sections 79-524 and 79-578 and calculating state aid allocations pursuant to the Tax Equity and Educational Opportunities Support Act, any change in school district boundaries with an effective date between June 1 and August 1 of any year shall be considered effective June July 1 of such year.

(2) Unless otherwise provided by state law or by the terms of an affiliation or reorganization plan or petition which is consistent with state law, all assets, including budget authority as provided in sections 79-1023 to 79-1030, and liabilities, except bonded obligations, of school districts merged, dissolved, or annexed shall be transferred to the receiving district or districts on the basis of the proportionate share of assessed valuation received at the time of reorganization.

Sec. 51. Section 79-527, Reissue Revised Statutes of Nebraska, is amended to read:

79-527 The superintendent or head administrator of a public school district or a nonpublic school system shall annually report to the Commissioner of Education in such detail and on such date as required by the commissioner the number of students who have dropped out of school or were for any reason suspended, expelled, or excluded from school during the year. School districts that are members of learning communities shall also provide the learning community coordinating council with a copy of the report to the commissioner on or before the date the report is due to the commissioner. Each learning community coordinating council shall annually report to the commissioner in such detail and on such date as required by the commissioner the number of students who have dropped out of school or were for any reason suspended, expelled, or excluded from school during the year for all of the member school districts. The due date for reports from learning communities shall be established by the commissioner to provide a reasonable period of time for the learning community coordinating councils to compile the information from the member school district reports.

Sec. 52. Section 79-528, Reissue Revised Statutes of Nebraska, is amended to read:

79-528 (1)(a) On or before July 20 in all school districts, the superintendent or head administrator shall file with the State Department of Education a report under oath showing the number of children from five through eighteen years of age belonging to the school district according to the census taken as provided in sections 79-524 and 79-578. The report shall identify the number of boys and the number of girls in each of the respective age categories. On or before July 20, school districts that are members of learning communities shall provide the learning community coordinating council

with a copy of the report filed with the department. On or before August 1, each learning community coordinating council shall file with the department a report showing the number of children from five through eighteen years of age belonging to the member school districts according to the school district reports filed with the department.

(b) Each Class I school district which is part of a Class VI school district offering instruction (i) in grades kindergarten through five shall report children from five through ten years of age, (ii) in grades kindergarten through six shall report children from five through eleven years of age, and (iii) in grades kindergarten through eight shall report children from five through thirteen years of age.

(c) Each Class VI school district offering instruction (i) in grades six through twelve shall report children who are eleven through eighteen years of age, (ii) in grades seven through twelve shall report children who are twelve through eighteen years of age, and (iii) in grades nine through twelve children who are fourteen through eighteen years of age.

(d) Each Class I district which has affiliated in whole or in part shall report children from five through thirteen years of age.

(e) Each Class II, III, IV, or V district shall report children who are fourteen through eighteen years of age residing in Class I districts or portions thereof which have affiliated with such district.

(f) The board of any district neglecting to take and report the enumeration shall be liable to the school district for all school money which such district may lose by such neglect.

(2) On or before June 30 the superintendent or head administrator of each school district shall file with the Commissioner of Education a report under oath described as an end-of-the-school-year annual statistical summary showing (a) the number of children attending school during the year under five years of age, (b) the length of time the school has been taught during the year by a qualified teacher, (c) the length of time taught by each substitute teacher, and (d) such other information as the Commissioner of Education directs. On or before June 30, school districts that are members of learning communities shall also provide the learning community coordinating council with a copy of the report filed with the commissioner. On or before July 15, each learning community coordinating council shall file with the commissioner a report showing the number of children from five through eighteen years of age belonging to the member school districts according to the school district reports filed with the commissioner.

~~(3)~~ (3) (a) On or before November 1 the superintendent or head administrator of each school district shall submit to the Commissioner of Education, to be filed in his or her office, a report under oath described as the annual financial report showing ~~(a)~~ (i) the amount of money received from all sources during the year and the amount of money expended by the school district during the year, ~~(b)~~ (ii) the amount of bonded indebtedness, ~~(c)~~ (iii) such other information as shall be necessary to fulfill the requirements of the Tax Equity and Educational Opportunities Support Act and section 79-1114, and ~~(d)~~ (iv) such other information as the Commissioner of Education directs.

(b) On or before November 1, school districts that are members of learning communities shall also provide the learning community coordinating council with a copy of the report submitted to the commissioner. On or before November 15, each learning community coordinating council shall submit to the commissioner, to be filed in his or her office, a report described as the annual financial report showing (i) the aggregate amount of money received from all sources during the year for all member school districts and the aggregate amount of money expended by member school districts during the year, (ii) the aggregate amount of bonded indebtedness for all member school districts, (iii) such other aggregate information as shall be necessary to fulfill the requirements of the Tax Equity and Educational Opportunities Support Act and section 79-1114 for all member school districts, and (iv) such other aggregate information as the Commissioner of Education directs for all member school districts.

~~(4)~~ (4) (a) On or before October 15 of each year, the superintendent or head administrator of each school district shall deliver to the department the fall school district membership report, which report shall include the number of children from birth through twenty years of age enrolled in the district on the last Friday in September of a given school year. The report shall enumerate ~~(a)~~ (i) students by grade level, ~~(b)~~ (ii) school district levies and total assessed valuation for the current fiscal year, and ~~(c)~~ (iii) such other information as the Commissioner of Education directs.

(b) On or before October 15 of each year, school districts that are members of learning communities shall also provide the learning community

coordinating council with a copy of the report delivered to the department. On or before October 31 of each year, each learning community coordinating council shall deliver to the department the fall learning community membership report, which report shall include the aggregate number of children from birth through twenty years of age enrolled in the member school districts on the last Friday in September of a given school year for all member school districts. The report shall enumerate (i) the aggregate students by grade level for all member school districts, (ii) learning community levies and total assessed valuation for the current fiscal year, and (iii) such other information as the Commissioner of Education directs.

(c) When any school district or learning community fails to submit its fall school district membership report by November 1, the commissioner shall, after notice to the district and an opportunity to be heard, direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until such time as the report is received by the department. In addition, the commissioner shall direct the county treasurer to withhold all school money belonging to the school district or learning community until such time as the commissioner notifies the county treasurer of receipt of such report. The county treasurer shall withhold such money. For school districts that are members of learning communities, a determination of school money belonging to the district shall be based on the proportionate share of state aid and property tax receipts allocated to the school district by the learning community coordinating council, and the treasurer of the learning community coordinating council shall withhold any such school money in the possession of the learning community from the school district. If a school district that is a member of a learning community fails to provide a copy of the report to the learning community coordinating council on or before October 15, the learning community coordinating council shall complete the fall learning community membership report with information from the reports received from other member school districts.

Sec. 53. Section 79-535, Reissue Revised Statutes of Nebraska, is amended to read:

79-535 All schools erected or organized within the limits of cities of the metropolitan class Class V school districts shall be under the direction and control of the board of education authorized by section 79-552.

Sec. 54. Section 79-536, Reissue Revised Statutes of Nebraska, is amended to read:

79-536 The board of education of a Class V any school district shall may require children between and including the ages of six and fifteen years, regularly enrolled within the system and deemed by the school administration to be making unsatisfactory progress, to attend summer school for up to one-half of a regular school day if in the opinion of the administration they would benefit from the experience. Chief emphasis in such summer classes shall be on reading, language arts, and arithmetic and those areas of personality development especially in need of development. Teachers shall be encouraged to design new and imaginative techniques and curricula not usually used during the regular school year which in the opinion of such teachers will offer new incentives towards learning, with special emphasis on those techniques that seek to develop the students' personalities in a wholesome manner, especially developing pride, self-confidence, and self-control. Teachers of such classes shall not be assigned more than fifteen students, or more than twenty-five students if assisted full time by an aide or paraprofessional. Such students shall be graded at the end of the course upon their relative degree of striving to improve their skills, attitudes, and personalities.

Sec. 55. Section 79-549, Reissue Revised Statutes of Nebraska, is amended to read:

79-549 (1) When more than seventy-five percent of the geographical area of a Class III school district lies within a city of the metropolitan class, the school board of the Class III district shall consist of six members to be elected as provided in section 32-543 and also may include one or more nonvoting student members selected pursuant to section 79-559. Until The school board of any Class III school district that is a member of a learning community may place before the legal voters of the school district the issue of whether to begin to have a caucus for nominations by adopting a resolution to place the issue before the legal voters and certifying the issue to the election commissioner or county clerk prior to September 1 for placement on the ballot at the next statewide general election. The legal voters of the school district may also have the issue placed on the ballot at the statewide general election by circulating a petition and gathering the signatures of the legal voters residing within the school district at least equal to seven percent of the number of persons registered to vote in the school district at the last statewide primary election. The petitions shall be filed with the

election commissioner or county clerk for signature verification on or before August 15 prior to a statewide general election. If the election commissioner or county clerk determines that the appropriate number of legal voters signed the petition, he or she shall place the issue on the ballot for the next statewide general election. The issue shall not be placed on the ballot again within four years after voting on the issue at a statewide general election.

(2) Any Class III school district that nominated school board members by caucus pursuant to this section as it existed immediately before the effective date of this act shall continue such procedure until the legal voters of the district vote not to continue to have a caucus for nominations pursuant to subsection ~~(2)~~ (3) of this section. A ~~7~~ a caucus shall be held pursuant to subsection ~~(4)~~ (5) of this section not less than seventy days prior to the holding of the election to nominate two or more candidates for each vacancy to be voted upon at the election to be held in conjunction with the statewide primary election pursuant to subsection (1) of section 32-543. No candidate nominated shall have his or her name placed upon the ballot for the general election unless, not more than ten days after his or her nomination, he or she files with the secretary of the school board a written statement accepting the nomination. The secretary of the school board shall certify the names of the candidates to the election commissioner or county clerk who shall prepare the official ballot listing the names as certified and without any area designation. All legal voters residing within the school district shall be permitted to vote at such election.

~~(2)~~ (3) The school board may place before the legal voters of the school district the issue of whether to continue to have a caucus for nominations by adopting a resolution to place the issue before the legal voters and certifying the issue to the election commissioner or county clerk prior to September 1 for placement on the ballot at the next statewide general election. The legal voters of the school district may also have the issue placed on the ballot at the statewide general election by circulating a petition and gathering the signatures of the legal voters residing within the school district at least equal to seven percent of the number of persons registered to vote in the school district at the last statewide primary election. The petitions shall be filed with the election commissioner or county clerk for signature verification on or before August 15 prior to a statewide general election. If the election commissioner or county clerk determines that the appropriate number of legal voters signed the petition, he or she shall place the issue on the ballot for the next statewide general election. The issue shall not be placed on the ballot again within four years after voting on the issue at a statewide general election.

~~(3)~~ (4) If the legal voters vote not to continue to have a caucus, candidates shall be nominated and elected as provided in subsection (2) of section 32-543. The terms of the members in office at the time of the vote shall be extended to the first Thursday after the first Tuesday in January after the expiration of their terms. At the first general election following the vote, the member receiving the greatest number of votes shall be elected for a term of four years and the member receiving the next greatest number of votes shall be elected for a term of two years.

~~(4)~~ (5) A school district which uses a caucus for nominations shall develop rules and procedures for conducting the caucus which will ensure:

(a) Publication of the rules and procedures by multiple sources if necessary so that every resident of the school district has access to information on the process for placing a name in nomination and voting at the caucus;

(b) Facilities for voting at the caucus which comply with the federal Americans with Disabilities Act of 1990 and which will accommodate a reasonably anticipated number of legal voters;

(c) Election security which will provide for a fair and impartial election, including the secrecy of the ballot, one vote per legal voter, and only legal voters of the school district being allowed to vote;

(d) Equal access to all legal voters of the school district, including the presence of an interpreter at the caucus at the expense of the school district and ballots for the blind and visually impaired to provide access to the process by all legal voters of the school district;

(e) Adequate time and opportunity for legal voters of the school district to exercise their right to vote; and

(f) Notification of nomination to the candidates and to the secretary of the school board.

The rules and regulations shall be approved by the election commissioner or county clerk prior to use for a caucus.

Sec. 56. Section 79-611, Revised Statutes Supplement, 2005, is amended to read:

79-611 (1) The school board of any school district that is not subject to subsection (2) of this section shall either provide free transportation or pay an allowance for transportation in lieu of free transportation as follows:

(a) When a student in grades kindergarten through eight attends an elementary school in his or her own district and lives more than four miles from the public schoolhouse in such district; and

(b) When a student in grades kindergarten through eight is required to attend an elementary school outside of his or her own district and lives more than four miles from such elementary school.

(2) The school board of any school district that is a member of a learning community subject to the enrollment provisions of section 16 of this act shall provide free transportation for a student if (a) the student is a resident of any school district that is a member of such learning community, (b) the student is attending a school in the school district under the control of such school board, and (c) the student does not reside in the attendance area for such school. Transportation shall be provided from the school building providing education in at least kindergarten through grade three in the attendance area in which the student resides to the school building the student attends. This subsection does not prohibit a school district from providing additional transportation to any student.

~~(2)~~ (3) The transportation allowance which may be paid to the parent, custodial parent, or guardian of students qualifying for free transportation pursuant to subsection (1) or (2) of this section shall equal two hundred eighty-five percent of the mileage rate provided in section 81-1176, multiplied by each mile actually and necessarily traveled, on each day of attendance, beyond which the one-way distance from the residence of the student to the schoolhouse exceeds three miles.

~~(3)~~ (4) Whenever students from more than one family travel to school in the same vehicle, the transportation allowance prescribed in subsection ~~(2)~~ (3) of this section shall be payable as follows:

(a) To the parent, custodial parent, or guardian providing transportation for students from other families, one hundred percent of the amount prescribed in subsection ~~(2)~~ (3) of this section for the transportation of students of such parent's, custodial parent's, or guardian's own family and an additional five percent for students of each other family not to exceed a maximum of one hundred twenty-five percent of the amount determined pursuant to subsection ~~(2)~~ (3) of this section; and

(b) To the parent, custodial parent, or guardian not providing transportation for students of other families, two hundred eighty-five percent of the mileage rate provided in section 81-1176 multiplied by each mile actually and necessarily traveled, on each day of attendance, from the residence of the student to the pick-up point at which students transfer to the vehicle of a parent, custodial parent, or guardian described in subdivision (a) of this subsection.

~~(4)~~ (5) The board may authorize school-provided transportation to any student who does not qualify under the mileage requirements of subsection (1) of this section and may charge a fee to the parent or guardian of the student for such service. No transportation payments shall be made to a family for mileage not actually traveled by such family. The number of days the student has attended school shall be reported monthly by the teacher to the board of such public school district.

~~(5)~~ (6) No more than one allowance shall be made to a family irrespective of the number of students in a family being transported to school. If a family resides in a Class I district which is part of a Class VI district and has students enrolled in any of the grades offered by the Class I district and in any of the non-high-school grades offered by the Class VI district, such family shall receive not more than one allowance for the distance actually traveled when both districts are on the same direct travel route with one district being located a greater distance from the residence than the other. In such cases, the travel allowance shall be prorated among the school districts involved.

~~(6)~~ (7) No student shall be exempt from school attendance on account of distance from the public schoolhouse.

Sec. 57. Any member school district of a learning community may establish a focus school or program anywhere in the learning community with approval from the learning community coordinating council. A focus school or program shall be:

(1) Centered around meeting specific learning goals that are an addition to the standard curriculum;

(2) Open to all students residing in the learning community in the grades offered on an equal basis; and

(3) Designed to create an economically and culturally diverse learning environment.

Sec. 58. Section 79-760, Reissue Revised Statutes of Nebraska, is amended to read:

79-760 (1) The State Board of Education shall implement a statewide system for the assessment of student learning and for reporting the performance of school districts and learning communities. The assessment and reporting system shall test student knowledge of subject matter materials covered by the measurable model academic content standards approved by the state board. The state board shall adopt an assessment and reporting plan and begin implementation of the assessment and reporting system in the 2000-01 school year beginning with the assessment of reading and writing. The state board shall prescribe statewide assessments of writing that rely on writing samples beginning in the spring of 2001 with students in each of three grades selected by the state board. For each academic year thereafter, one of the three selected grades shall participate in the statewide writing assessment. The state board shall develop an assessment system and prescribe statewide assessments for the subject areas of reading, mathematics, science, social studies, and history. The assessment and reporting system for each subject area, except writing, shall be based on locally developed assessments the first year. Following the first assessment in each subject area, except writing, the State Department of Education shall contract with independent, recognized assessment experts to review and rate locally developed assessments. The department shall identify the criteria for rating the model assessments. The assessment experts shall identify not more than four model assessments receiving the highest ratings. Districts shall thereafter adopt one of the four model assessments and may, in addition, adapt their locally developed assessments. The aggregate results of any assessments required by the state board pursuant to this section shall be reported by the district on a building basis to the public in that district, to the learning community coordinating council if such district is a member of a learning community, and to the department. Each learning community shall also report the aggregate results of any assessments required by the state board pursuant to this section to the public in that learning community and to the department. The department shall report the aggregate results of any assessments required by the state board pursuant to this section on a learning community, district, and ~~or~~ building basis as part of the statewide assessment and reporting system.

(2) The purposes of the assessment and reporting system are to:

(a) Determine how well public schools are performing in terms of achievement of public school students related to the model state academic content standards;

(b) Report the performance of public schools based upon the results of the assessment;

(c) Provide information for the public and policymakers on the performance of public schools; and

(d) Provide for the comparison of Nebraska public schools to their peers and to school systems of other states and other countries.

(3) The assessment and reporting plan shall include all public schools and all public school students. The state board shall adopt criteria for the inclusion of students with disabilities, students entering the school for the first time, and students with limited English proficiency.

(4) The assessment and reporting plan shall provide for the confidentiality of the individual students.

(5) The state board shall adopt and promulgate rules and regulations to carry out this section.

Sec. 59. Section 79-850, Revised Statutes Supplement, 2005, is amended to read:

79-850 For purposes of sections 79-850 to 79-858:

(1) Reorganized school district means: (a) Any expanded or altered school district, organized or altered by any of the means provided by Nebraska law including, but not limited to, the methods provided by the Reorganization of School Districts Act, the Learning Community Reorganization Act, or section 79-407, 79-413, 79-415, 79-416, 79-452 to 79-455, 79-473, 79-4,113, or 79-4,114; or (b) any school district to be formed in the future if the petition or plan for such reorganized school district has been approved pursuant to any of the methods set forth in subdivision (1)(a) of this section when the effective date of such reorganization is prospective. For purposes of this subdivision, a petition or plan shall be deemed approved when the last legal action has been taken, as prescribed in section 79-413, 79-450, 79-455, 79-4,113, or 79-4,114, necessary to effect the changes in boundaries as set forth in the petition or plan; and

(2) Unified system means a unified system as defined in section 79-4,108 recognized by the State Department of Education pursuant to subsection (3) of such section, which employs certificated staff.

Sec. 60. Section 79-979, Reissue Revised Statutes of Nebraska, is amended to read:

79-979 (1) Prior to September 13, 1997, in each Class V school district in the State of Nebraska there is hereby established a separate retirement system for all regular employees of such school district. Such system shall be for the purpose of providing retirement benefits for all regular employees of the school district as provided in the Class V School Employees Retirement Act. The system shall be known as School Employees' Retirement System of (corporate name of the school district as described in section 79-405). All of its business shall be transacted, all of its funds shall be invested, and all of its cash and securities and other property shall be held in trust by such name for the purposes set forth in the act. Such funds shall be kept separate from all other funds of the school district and shall be used for no other purpose.

(2) Except as provided in subsection (3) of this section, if any new Class V school districts are formed after September 13, 1997, such new Class V school district shall elect to become or remain a part of the retirement system established pursuant to the School Employees Retirement Act.

(3) Any new Class V school districts formed pursuant to the Learning Community Reorganization Act shall continue to participate in the retirement system established pursuant to the Class V School Employees Retirement Act if such new Class V school district was formed at least in part by territory that had been in a Class V school district that participated in the retirement system established pursuant to the Class V School Employees Retirement Act.

Sec. 61. Section 79-980, Reissue Revised Statutes of Nebraska, is amended to read:

79-980 The (1) At any time that the retirement system consists of only one Class V school district, the general administration of the retirement system is hereby vested in the board of education. The board shall appoint, by a majority of all its members, ten trustees to serve as executive officers to administer the Class V School Employees Retirement Act. Such trustees shall consist of ~~(1)~~ (a) the superintendent of schools, as ex officio trustee, ~~(2)~~ (b) four members of the retirement system, two from the certificated staff, one from the classified staff, and one from the annuitants, ~~(3)~~ (c) three members of the board of education, and ~~(4)~~ (d) two trustees who are business persons qualified in financial affairs and who are not members of the retirement system. The trustees shall serve without compensation, but they shall be reimbursed from the funds of the retirement system for expenses that they may incur through service on the board of trustees as provided in sections 81-1174 to 81-1177. A trustee shall serve until a successor qualifies, except that trustees who are members of the retirement system or members of the board of education shall be disqualified as trustees immediately upon ceasing to be a member of the retirement system or of the board of education. Each trustee shall be entitled to one vote on the board of trustees, and six trustees shall constitute a quorum for the transaction of any business. The trustees who are appointed from the board of education and the membership shall be appointed for each fiscal year. The two trustees who are not members of the board of education or of the retirement system shall be appointed for three fiscal years each. The trustees and the administrator of the retirement system shall administer the retirement system in compliance with the tax-qualification requirements applicable to government retirement plans under section 401(a) of the Internal Revenue Code, as defined in section 49-801.01.

(2) At any time that the retirement system consists of more than one Class V school district, the general administration of the retirement system is hereby vested in a Class V Retirement System Board composed of three members of the school board for each participating Class V school district. The board shall appoint, by a majority of all its members, trustees to serve as executive officers to administer the Class V School Employees Retirement Act. Such trustees shall consist of (a) the superintendent of each participating Class V school district, as ex officio trustees, (b) four members of the retirement system, two from the certificated staff, one from the classified staff, and one from the annuitants, (c) three members of the board, and (d) two trustees who are business persons qualified in financial affairs and who are not members of the retirement system. The trustees who are appointed from the board and the membership shall, to the extent feasible, be appointed equally from each participating Class V school district. The trustees shall serve without compensation, but they shall be reimbursed from the funds of the retirement system for expenses that they may incur through

service on the board of trustees as provided in sections 81-1174 to 81-1177. A trustee shall serve until a successor qualifies, except that trustees who are members of the retirement system or members of the board shall be disqualified as trustees immediately upon ceasing to be a member of the retirement system or of the board. Each trustee shall be entitled to one vote on the board of trustees, and six trustees shall constitute a quorum for the transaction of any business. The trustees who are appointed from the board and the membership shall be appointed for each fiscal year. The two trustees who are not members of the board or of the retirement system shall be appointed for three fiscal years each. The trustees and the administrator of the retirement system shall administer the retirement system in compliance with the tax-qualification requirements applicable to government retirement plans under section 401(a) of the Internal Revenue Code, as defined in section 49-801.01.

Sec. 62. Section 79-981, Reissue Revised Statutes of Nebraska, is amended to read:

79-981 The board of education or Class V Retirement System Board shall from time to time establish rules and regulations for the administration of the retirement system and for the transaction of its business and shall appoint an administrator of the retirement system. The board may contract for such medical and other services as shall be required to transact the business of the retirement system. Compensation for all persons employed by the board and all other expenses of the board necessary for the proper and efficient operation of the retirement system shall be paid in such amounts as the board determines and approves.

In addition to such duties and other duties arising out of the Class V School Employees Retirement Act not specifically reserved or assigned to others, the board shall maintain a separate account of each member's contribution, the record of which shall be available to the member upon request, compile such data as may be necessary for the required actuarial valuation, consider and pass on all applications for annuities or other benefits and have examinations made when advisable of persons receiving disability benefits, and direct and determine all policies necessary in the administration of the act.

Sec. 63. Section 79-983, Reissue Revised Statutes of Nebraska, is amended to read:

79-983 The administrator of the retirement system shall keep the minutes and records of the retirement system, shall be the executive officer in charge of the administration of the detailed affairs of the retirement system, and shall perform such other duties as may be assigned by the board of education, the Class V Retirement System Board, or the trustees.

Sec. 64. Section 79-984, Reissue Revised Statutes of Nebraska, is amended to read:

79-984 The board of education or Class V Retirement System Board shall contract for the services of an actuary who shall be the technical advisor of the board and the trustees on matters regarding the operation of the retirement system. The actuary shall (1) make a general investigation of the operation of the retirement system at least once in every three years, which investigation shall cover mortality, retirement, disability, employment, turnover, interest, and earnable compensation, and (2) recommend tables to be used for all required actuarial calculations. The actuary shall perform such other duties as may be assigned by the board.

Sec. 65. Section 79-985, Reissue Revised Statutes of Nebraska, is amended to read:

79-985 The attorney for the board of education or Class V Retirement System Board shall be the legal advisor to the trustees.

Sec. 66. Section 79-986, Reissue Revised Statutes of Nebraska, is amended to read:

79-986 The school district, if there is only one Class V school district in the retirement system, or the Class V school district designated by the Class V Retirement System Board, if there is more than one Class V school district in the retirement system, shall act as the treasurer of the system and the official custodian of the cash and securities belonging to the retirement system, shall provide adequate safe deposit facilities for the preservation of such securities, and shall hold such cash and securities subject to the order of the board of education or Class V Retirement System Board.

The school district or designated school district shall receive all items of taxes or cash belonging to the retirement system and shall deposit in banks approved by the board of education or Class V Retirement System Board all such amounts in trust or custodial accounts. Notwithstanding any limitations elsewhere imposed by statute on the location of the retirement system's depository bank, such limitations shall not apply to the use of

depository banks for the custody of the system's cash, securities, and other investments. The school district or designated school district, as treasurer of the system, shall make payments for purposes specified in the Class V School Employees Retirement Act. All banks and custodians which receive and hold securities and investments for the retirement system may hold and evidence such securities by book entry account rather than obtaining and retaining the original certificate, indenture, or governing instrument for such security.

Sec. 67. Section 79-9,107, Reissue Revised Statutes of Nebraska, is amended to read:

79-9,107 The funds of the retirement system which are not required for current operations shall be invested and reinvested by the trustees subject to the approval of the board of education or Class V Retirement System Board as provided in sections 79-9,108 to 79-9,111. Except as otherwise provided in the Class V School Employees Retirement Act, no trustee and no member of the board shall have any direct interest in the income, gains, or profits of any investment made by the trustees, nor shall any such person receive any pay or emolument for services in connection with any such investment. No trustee or member of the board shall become an endorser or surety or in any manner an obligor for money loaned by or borrowed from the retirement system. Any person who violates any of these restrictions shall be guilty of a Class II misdemeanor.

Sec. 68. Section 79-9,108, Reissue Revised Statutes of Nebraska, is amended to read:

79-9,108 The trustees, with approval of the board of education or Class V Retirement System Board, shall invest and reinvest funds of the retirement system. A professional investment manager may be employed by the trustees subject to approval of the board of education or Class V Retirement System Board. The professional investment manager shall be responsible for the purchase, sale, exchange, investment, or reinvestment of such funds subject to guidelines determined by the trustees. The trustees shall each month submit a report to the board of education or Class V Retirement System Board with respect to the investment of funds. The board of education or Class V Retirement System Board shall approve or disapprove the investments in the report, and in the event of disapproval of any investment, the board shall direct the sale of all or part of such investment or establish future policy with respect to that type of investment.

Sec. 69. Section 79-9,109, Reissue Revised Statutes of Nebraska, is amended to read:

79-9,109 In the event of default in the payment of principal of, or interest on, the investments made, the trustees are authorized to institute the proper proceedings to collect such matured principal or interest, and may, with approval of the board of education or Class V Retirement System Board, accept for exchange purposes, refunding bonds or other evidences of indebtedness with interest rates to be agreed upon with the obligor. The trustees, with the approval of the board of education or Class V Retirement System Board, are further authorized to make such compromises, adjustments, or disposition of the past-due interest or principal as are in default, or to make such compromises and adjustments as to future payments of interest or principal as deemed advisable for the purpose of protecting the investment.

Sec. 70. Section 79-9,115, Reissue Revised Statutes of Nebraska, is amended to read:

79-9,115 All allowances, annuities, or other benefits granted under the Class V School Employees Retirement Act, and all expenses incurred in connection with the administration of the act, except clerical work incurred in connection with maintenance of records and payment of benefits, shall be paid from the retirement fund hereby established. Such clerical work shall be performed by employees of the school district or districts and paid for out of the general fund of the school district or districts.

Sec. 71. Section 79-1001, Revised Statutes Cumulative Supplement, 2004, is amended to read:

79-1001 Sections 79-1001 to 79-1033 and sections 75, 77 to 83, and 89 of this act shall be known and may be cited as the Tax Equity and Educational Opportunities Support Act.

Sec. 72. Section 79-1002, Reissue Revised Statutes of Nebraska, is amended to read:

79-1002 ~~(1) The Legislature finds and declares that:~~

~~(a) Nebraska currently finances over seventy percent of the costs of operating its public school system from the property tax and other local sources while nationally only forty-three percent of the costs are supported by property taxes and other local sources;~~

~~(b) State support for the public school system has not kept pace~~

with the increased costs of operating such system;

(c) Nebraska has a higher per capita property tax burden than most other states while the overall state and local per capita tax burden in the state is below the national average;

(d) The cost of operating the public school system is near the national average in per pupil cost as well as per capita spending;

(e) The overreliance on the property tax for the support of the public school system has resulted in great disparities in local property tax rates; and

(f) The overreliance on the property tax for the support of the public school system has created inequitable educational fiscal resources for students.

(2) It is the intent, purpose, and goal of the Legislature to create a system of financing the public school system which will:

(a) (1) Provide state support from all sources of state funding sufficient to support the statewide aggregate general fund operating expenditures for Nebraska elementary and secondary public education that cannot be met by local resources;

(b) (2) Reduce the reliance on the property tax for the support of the public school system;

(c) (3) Broaden financial support for the public school system by dedicating a portion of the revenue received from the state income tax for support of the system;

(d) (4) Keep pace with the increasing cost of operating the public school system;

(e) (5) Assure each district a foundation support level for the operation of schools within each district taking into consideration the taxable wealth and other accessible resources of the district the public school system, taking local resources into consideration;

(f) (6) Recognize a portion of the costs of programs to address the unique educational needs of students who are in poverty or who have limited English proficiency as being specific to the local system providing such programs;

(7) Create a process to collect information regarding the programs and the cost of the programs provided to address the unique educational needs of students who are in poverty or who have limited English proficiency in order to analyze which programs may be appropriate to receive state support and to analyze the poverty and limited English proficiency allowances;

(8) Assure a greater level of equity of educational opportunities for all public school students; in all districts;

(g) (9) Assure a greater level of equity in property tax rates for the support of the public school system; and

(h) (10) Assure that there is a shift to sustainable revenue sources, other than the property tax, for the support of the public school system through the establishment of limits on the growth of general fund budgets of districts measured growth in the state aid appropriation through the continuation of limits on the growth of general fund budgets of districts.

(3) The Legislature further finds and declares that all funds to be distributed pursuant to section 79-1022 shall be used specifically for the purpose of reducing property taxes in the district to which they are distributed.

Sec. 73. Section 79-1003, Revised Statutes Supplement, 2005, as amended by section 4, Legislative Bill 1208, Ninety-ninth Legislature, Second Session, 2006, is amended to read:

79-1003 For purposes of the Tax Equity and Educational Opportunities Support Act:

(1) Adjusted general fund operating expenditures means (a) for school fiscal years before school fiscal year 2007-08, general fund operating expenditures as calculated pursuant to subdivision (24) of this section minus (a) for school fiscal years before school fiscal year 2007-08, the transportation allowance and minus the special receipts allowance, and (b) for school fiscal year 2007-08, general fund operating expenditures as calculated pursuant to subdivision (24) of this section minus and each school fiscal year thereafter, the sum of the transportation, special receipts, and distance education and telecommunications allowances, and (c) for school fiscal year 2008-09 and each school fiscal year thereafter, the difference of the product of the general fund operating expenditures as calculated pursuant to subdivision (24) of this section multiplied by the cost growth factor for the school district's cost grouping calculated pursuant to section 83 of this act minus the transportation allowance, special receipts allowance, poverty allowance, limited English proficiency allowance, elementary class size allowance, and focus school and program allowance;

(2) Adjusted valuation means the assessed valuation of taxable property of each local system in the state, adjusted pursuant to the adjustment factors described in section 79-1016. Adjusted valuation means the adjusted valuation for the property tax year ending during the school fiscal year immediately preceding the school fiscal year in which the aid based upon that value is to be paid. For purposes of determining the local effort rate yield pursuant to section 79-1015.01, adjusted valuation does not include the value of any property which a court, by a final judgment from which no appeal is taken, has declared to be nontaxable or exempt from taxation;

(3) Allocated income tax funds means the amount of assistance paid to a local system pursuant to section 79-1005.01 or 79-1005.02 as adjusted by the minimum levy adjustment pursuant to section 79-1008.02;

(4) Average daily attendance of a student who resides on Indian land means average daily attendance of a student who resides on Indian land from the most recent data available on November 1 preceding the school fiscal year in which aid is to be paid;

(5) Average daily membership means the average daily membership for grades kindergarten through twelve attributable to the local system, as provided in each district's annual statistical summary, and includes the proportionate share of students enrolled in a public school instructional program on less than a full-time basis;

(6) Base fiscal year means the first school fiscal year following the school fiscal year in which the reorganization or unification occurred;

(7) Board means the school board of each school district;

(8) Categorical funds means funds limited to a specific purpose by federal or state law, including, but not limited to, Title I funds, Title VI funds, federal vocational education funds, federal school lunch funds, Indian education funds, Head Start funds, and funds from the Education Innovation Fund;

(9) Consolidate means to voluntarily reduce the number of school districts providing education to a grade group and does not include dissolution pursuant to section 79-498;

(10) Converted contract means an expired contract that was in effect for at least fifteen years for the education of students in a nonresident district in exchange for tuition from the resident district when the expiration of such contract results in the nonresident district educating students who would have been covered by the contract if the contract were still in effect as option students pursuant to the enrollment option program established in section 79-234;

(11) Converted contract option students means students who will be option students pursuant to the enrollment option program established in section 79-234 for the school fiscal year for which aid is being calculated and who would have been covered by a converted contract if the contract were still in effect and such school fiscal year is the first school fiscal year for which such contract is not in effect;

(12) Department means the State Department of Education;

(13) Distance education and telecommunications allowance means, for state aid calculated for school fiscal year 2007-08 and each school fiscal year thereafter, eighty-five percent of the difference of the costs for (a) telecommunications services, (b) access to data transmission networks that transmit data to and from the school district, and (c) the transmission of data on such networks paid by the school districts in the local system as reported on the annual financial report for the most recently available complete data year minus the receipts from the federal Universal Service Fund pursuant to section 254 of the Telecommunications Act of 1996, 47 U.S.C. 254, as such section existed on January 1, 2006, for the school districts in the local system as reported on the annual financial report for the most recently available complete data year;

(14) District means any Class I, II, III, IV, V, or VI school district;

(15) Ensuing school fiscal year means the school fiscal year following the current school fiscal year;

(16) Equalization aid means the amount of assistance calculated to be paid to a local system pursuant to sections 79-1008.01 to 79-1022 and 79-1022.02;

(17) Fall membership means the total membership in kindergarten through grade twelve attributable to the local system as reported on the fall school district membership reports for each district pursuant to section 79-528;

(18) Fiscal year means the state fiscal year which is the period from July 1 to the following June 30;

(19) Formula students means (a) for state aid certified pursuant

to section 79-1022, the sum of fall membership from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid, multiplied by the average ratio of average daily membership to fall membership for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid and the prior two school fiscal years, plus qualified early childhood education fall membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid and (b) for final calculation of state aid pursuant to section 79-1065, the sum of average daily membership plus qualified early childhood education average daily membership plus tuitioned students from the school fiscal year immediately preceding the school fiscal year in which the aid was paid;

(20) Free lunch and free milk student means a student who qualified for free lunches or free milk from the most recent data available on November 1 of the school fiscal year immediately preceding the school fiscal year in which aid is to be paid;

(21) Full-day kindergarten means kindergarten offered by a district for at least one thousand thirty-two instructional hours;

(22) General fund budget of expenditures means the total budget of disbursements and transfers for general fund purposes as certified in the budget statement adopted pursuant to the Nebraska Budget Act, except that for purposes of the limitation imposed in section 79-1023, the calculation of Class I total allowable general fund budget of expenditures minus the special education budget of expenditures pursuant to section 79-1083.03, and the calculation pursuant to subdivision (2) of section 79-1027.01, the general fund budget of expenditures does not include any special grant funds, exclusive of local matching funds, received by a district subject to the approval of the department;

(23) General fund expenditures means all expenditures from the general fund;

(24) General fund operating expenditures means the total general fund expenditures minus categorical funds, tuition paid, transportation fees paid to other districts, adult education, summer school, community services, redemption of the principal portion of general fund debt service, retirement incentive plans, staff development assistance, and transfers from other funds into the general fund for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid;

(25) High school district means a school district providing instruction in at least grades nine through twelve;

(26) Income tax liability means the amount of the reported income tax liability for resident individuals pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

(27) Income tax receipts means the amount of income tax collected pursuant to the Nebraska Revenue Act of 1967 less all nonrefundable credits earned and refunds made;

(28) Limited English proficiency student means a student with limited English proficiency from the most recent data available on November 1 of the school fiscal year preceding the school fiscal year in which aid is to be paid;

(29) Local system means: (a) For school fiscal years prior to 2006-07, a Class VI district and the associated Class I districts or a Class II, III, IV, or V district and any affiliated Class I districts or portions of Class I districts; (b) for school fiscal year 2006-07, a Class VI district and the Class I districts or portions of Class I district that will be merged with the Class VI district to form a Class II or III district on June 15, 2006, pursuant to section 79-4,113 or 79-4,114 or a Class II, III, IV, or V district and any Class I districts or portions of Class I districts that will be merged with the Class II, III, IV, or V district on June 15, 2006, pursuant to section 79-4,113 or 79-4,114; and (c) for school fiscal year 2007-08, ~~and each school fiscal year thereafter,~~ a Class II, III, IV, or V district; and (d) for school fiscal year 2008-09 and each school fiscal year thereafter, a learning community or a Class II, III, IV, or V district that is not a member of a learning community. The membership, expenditures, and resources of Class I districts that are affiliated with multiple high school districts will be attributed to local systems based on the percent of the Class I valuation that is affiliated with each high school district;

(30) Low-income child means (a) for school fiscal years prior to 2008-09, a child under nineteen years of age living in a household having an annual adjusted gross income of fifteen thousand dollars or less for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated and (b) for school fiscal year 2008-09 and each school fiscal year thereafter, a child under nineteen years of age living in

a household having an annual adjusted gross income for the second calendar year preceding the beginning of the school fiscal year for which aid is being calculated equal to or less than the maximum household income that would allow a student from a family of four people to be a free lunch and free milk student during the school fiscal year immediately preceding the school fiscal year for which aid is being calculated;

(31) Low-income students means the number of low-income children within the local system multiplied by the ratio of the formula students in the local system divided by the total children under nineteen years of age residing in the local system as derived from income tax information;

~~(31)~~ (32) Most recently available complete data year means the most recent single school fiscal year for which the annual financial report, fall school district membership report, annual statistical summary, Nebraska income tax liability by school district for the calendar year in which the majority of the school fiscal year falls, and adjusted valuation data are available;

(33) Poverty students means the number of low-income students or the number of formula students who are free lunch and free milk students in a local system, whichever is greater;

~~(32)~~ (34) Qualified early childhood education average daily membership means the product of the average daily membership for school fiscal year 2006-07 and each school fiscal year thereafter of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year if: (a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant, multiplied by the ratio of the actual instructional hours of the program divided by one thousand thirty-two;

~~(33)~~ (35) Qualified early childhood education fall membership means the product of membership on the last Friday in September 2006 and each year thereafter of students who will be eligible to attend kindergarten the following school year and are enrolled in an early childhood education program approved by the department pursuant to section 79-1103 for such school district for such school year if: (a) The program is receiving a grant pursuant to such section for the third year; (b) the program has already received grants pursuant to such section for three years; or (c) the program has been approved pursuant to subsection (5) of section 79-1103 for such school year and the two preceding school years, including any such students in portions of any of such programs receiving an expansion grant, multiplied by the ratio of the planned instructional hours of the program divided by one thousand thirty-two;

~~(34)~~ (36) Regular route transportation means the transportation of students on regularly scheduled daily routes to and from the attendance center;

~~(35)~~ (37) Reorganized district means any district involved in a consolidation and currently educating students following consolidation;

~~(36)~~ (38) School year or school fiscal year means the fiscal year of a school district as defined in section 79-1091;

~~(37)~~ (39) Special education means specially designed kindergarten through grade twelve instruction pursuant to section 79-1125, and includes special education transportation;

~~(38)~~ (40) Special grant funds means the budgeted receipts for grants, including, but not limited to, Title I funds, Title VI funds, funds from the Education Innovation Fund, reimbursements for wards of the court, short-term borrowings including, but not limited to, registered warrants and tax anticipation notes, interfund loans, insurance settlements, and reimbursements to county government for previous overpayment. The state board shall approve a listing of grants that qualify as special grant funds;

~~(39)~~ (41) Special receipts allowance means the amount of special education, state ward, and accelerated or differentiated curriculum program receipts included in local system formula resources under subdivisions (7), (8), (16), and (17) of section 79-1018.01 attributable to the school district;

~~(40)~~ (42) State aid means the amount of assistance paid to a district pursuant to the Tax Equity and Educational Opportunities Support Act;

~~(41)~~ (43) State board means the State Board of Education;

~~(42)~~ (44) State support means all funds provided to districts by the State of Nebraska for the general fund support of elementary and secondary education;

~~(43)~~ (45) Temporary aid adjustment factor means (a) for school

fiscal years before school fiscal year 2007-08, one and one-fourth percent of the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping and (b) for school fiscal year 2007-08 and each school fiscal year thereafter, one and one-fourth percent of the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping;

~~(44)~~ (46) Transportation allowance means the lesser of (a) each local system's general fund expenditures for regular route transportation and in lieu of transportation expenditures pursuant to section 79-611 in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid, but not including special education transportation expenditures or other expenditures previously excluded from general fund operating expenditures, or (b) the number of miles traveled in the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid by vehicles owned, leased, or contracted by the district or the districts in the local system for the purpose of regular route transportation multiplied by four hundred percent of the mileage rate established by the Department of Administrative Services pursuant to section 81-1176 as of January 1 of the most recently available complete data year added to in lieu of transportation expenditures pursuant to section 79-611 from the same data year;

~~(45)~~ (47) Tuition receipts from converted contracts means tuition receipts received by a district from another district in the most recently available complete data year pursuant to a converted contract prior to the expiration of the contract; and

~~(46)~~ (48) Tuitioned students means students in kindergarten through grade twelve of the district whose tuition is paid by the district to some other district or education agency.

Sec. 74. Section 79-1007.01, Revised Statutes Supplement, 2005, is amended to read:

79-1007.01 For state aid calculated for school fiscal years prior to 2008-09:

(1) The adjusted formula students for each local system shall be calculated by:

(a) Multiplying the formula students in each grade range by the corresponding weighting factors to calculate the weighted formula students for each grade range as follows:

(i) The weighting factor for early childhood education programs is six-tenths;

(ii) The weighting factor for kindergarten is five-tenths;

(iii) The weighting factor for grades one through six, including full-day kindergarten, is one;

(iv) The weighting factor for grades seven and eight is one and two-tenths; and

(v) The weighting factor for grades nine through twelve is one and four-tenths;

(b) Adding the weighted formula students for each grade range to calculate the weighted formula students for the local system; and

(c) Adjusting the weighted formula students by adding the following demographic factors:

(i) The Indian-land factor shall equal 0.25 times the average daily attendance of students who reside on Indian land as reported by the United States Department of Education in calculating the local system's payment pursuant to 20 U.S.C. 7701 et seq., as such sections existed on April 12, 2002;

(ii) The limited English proficiency factor shall equal 0.25 times the students in the local system with limited English proficiency as defined under 20 U.S.C. 7601, as such section existed on April 12, 2002;

(iii) The department shall calculate the number of formula students to whom the poverty factor shall apply. The department shall calculate a ratio of the formula students to the total children under nineteen years of age residing in the local system and shall apply the ratio to the low-income children within the local system, in order to determine the number of low-income students within such local system. The number of children under nineteen years of age used in this calculation shall be derived from income tax information. The poverty factor shall equal the number of low-income students or the formula students qualified for free lunches or free milk under United States Department of Agriculture child nutrition programs, whichever is

greater, multiplied by the following factors:

(A) 0 for the qualified formula students comprising the first five percent of the formula students in the local system;

(B) 0.05 for the qualified formula students comprising more than five percent and not more than ten percent of the formula students in the local system;

(C) 0.10 for the qualified formula students comprising more than ten percent and not more than fifteen percent of the formula students in the local system;

(D) 0.15 for the qualified formula students comprising more than fifteen percent and not more than twenty percent of the formula students in the local system;

(E) 0.20 for the qualified formula students comprising more than twenty percent and not more than twenty-five percent of the formula students in the local system;

(F) 0.25 for the qualified formula students comprising more than twenty-five percent and not more than thirty percent of the formula students in the local system; and

(G) 0.30 for the qualified formula students comprising more than thirty percent of the formula students in the local system; and

(iv) The extreme remoteness factor shall equal 0.125 times the formula students in the local system for each local system that has fewer than two hundred formula students, more than six hundred square miles in the local system, less than three-tenths formula student per square mile in the local system, and more than twenty-five miles between the high school attendance center and the next closest high school attendance center on paved roads; and

(2) The total adjusted formula students for each local system shall equal the weighted formula students plus the demographic factors, except that (a) for local systems qualifying for the extreme remoteness factor, the total adjusted formula students shall be greater than or equal to one hundred fifty adjusted formula students, (b) the total adjusted formula students for a local system shall not include the extreme remoteness factor or any adjustment to the adjusted formula students resulting from qualification for the extreme remoteness factor for the calculation of the average formula cost per student in each cost grouping pursuant to subdivision (2) of section 79-1007.02, and (c) the total adjusted formula students for a local system shall include the extreme remoteness factor and any adjustment to the adjusted formula students resulting from qualification for the extreme remoteness factor for the calculation of the local system's formula need pursuant to subdivision (3) ~~or (4)~~ of section 79-1007.02.

Sec. 75. For state aid calculated for school fiscal year 2008-09 and each school fiscal year thereafter:

(1) The adjusted formula students for each school district shall be calculated by:

(a) Multiplying the formula students in each grade range by the corresponding weighting factors to calculate the weighted formula students for each grade range as follows:

(i) The weighting factor for early childhood education programs is six-tenths;

(ii) The weighting factor for kindergarten is five-tenths;

(iii) The weighting factor for grades one through six, including full-day kindergarten, is one;

(iv) The weighting factor for grades seven and eight is one and two-tenths; and

(v) The weighting factor for grades nine through twelve is one and four-tenths;

(b) Adding the weighted formula students for each grade range to calculate the weighted formula students for the local system; and

(c) Adjusting the weighted formula students by adding the following demographic factors:

(i) The Indian-land factor shall equal 0.25 times the average daily attendance of students who reside on Indian land as reported by the United States Department of Education in calculating the local system's payment pursuant to 20 U.S.C. 7701 et seq., as such sections existed on January 1, 2006; and

(ii) The extreme remoteness factor shall equal 0.125 times the formula students in the school district for each school district that has fewer than two hundred formula students, more than six hundred square miles in the school district, less than three-tenths formula student per square mile in the local system, and more than twenty-five miles between the high school attendance center and the next closest high school attendance center on paved

roads; and

(2) The total adjusted formula students for each school district shall equal the weighted formula students plus the demographic factors, except that (a) for school districts qualifying for the extreme remoteness factor, the total adjusted formula students shall be greater than or equal to one hundred fifty adjusted formula students, (b) the total adjusted formula students for a school district shall not include the extreme remoteness factor or any adjustment to the adjusted formula students resulting from qualification for the extreme remoteness factor for the calculation of the average formula cost per student in each cost grouping pursuant to section 79-1007.02, and (c) the total adjusted formula students for a school district shall include the extreme remoteness factor and any adjustment to the adjusted formula students resulting from qualification for the extreme remoteness factor for the calculation of the school district's formula need pursuant to section 79-1007.02.

Sec. 76. Section 79-1007.02, Revised Statutes Supplement, 2005, as amended by section 5, Legislative Bill 1208, Ninety-ninth Legislature, Second Session, 2006, is amended to read:

79-1007.02 For state aid calculated for school fiscal year 1998-99 and each school fiscal year thereafter:

(1) Using data from the annual financial reports for the second school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the annual statistical summary reports for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the fall membership reports and supplements thereto for the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, and the school district census as reported under sections 79-524 and 79-578 for the second school fiscal year preceding the school fiscal year in which aid is to be paid, the department shall divide the local systems into three cost groupings prior to the certification of state aid based upon the following criteria:

(a) The very sparse cost grouping will consist of local systems that have (i) (A) less than one-half student per square mile in each county in which each high school attendance center is located, based on the school district census, (B) less than one formula student per square mile in the local system, and (C) more than fifteen miles between the high school attendance center and the next closest high school attendance center on paved roads or (ii) (A) more than four hundred fifty square miles in the local system, (B) less than one-half student per square mile in the local system, and (C) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(b) The sparse cost grouping will consist of local systems that do not qualify for the very sparse cost grouping but which meet the following criteria:

(i) (A) Less than two students per square mile in the county in which each high school is located, based on the school district census, (B) less than one formula student per square mile in the local system, and (C) more than ten miles between each high school attendance center and the next closest high school attendance center on paved roads;

(ii) (A) Less than one and one-half formula students per square mile in the local system and (B) more than fifteen miles between each high school attendance center and the next closest high school attendance center on paved roads;

(iii) (A) Less than one and one-half formula students per square mile in the local system and (B) more than two hundred seventy-five square miles in the local system; or

(iv) (A) Less than two formula students per square mile in the local system and (B) the local system includes an area equal to ninety-five percent or more of the square miles in the largest county in which a high school attendance center is located in the local system; and

(c) The standard cost grouping will consist of local systems that do not qualify for the very sparse or the sparse cost groupings.

For purposes of subdivision (1) of this section, if a local system did not operate and offer instruction in grades nine through twelve within the boundaries of the local system during the school fiscal year immediately preceding the school fiscal year in which aid is to be paid, the local system shall not be considered to have a high school attendance center;

(2) (a) The department shall calculate the average formula cost per student in each cost grouping by dividing the total estimated general fund operating expenditures for the cost grouping by the difference between the total adjusted formula students for all local systems in the cost grouping minus (i) the adjusted formula students attributed to early childhood

education programs approved by the department pursuant to section 79-1103 for the first two school fiscal years for which students attributed to early childhood education programs approved by the department pursuant to section 79-1103 are being included in the calculation of state aid for the local system and (ii) for the first two school fiscal years immediately following the school fiscal year in which a district in the local system received an expansion grant pursuant to section 79-1103, the difference between the adjusted formula students attributed to early childhood education programs approved by the department pursuant to section 79-1103 for the school fiscal year immediately following the school fiscal year in which a district in the local system received an expansion grant minus the adjusted formula students attributed to early childhood education programs approved by the department pursuant to section 79-1103 for the school fiscal year in which a district in the local system received an expansion grant. For the calculation of state aid for school fiscal year 1999-00 and for each school fiscal year thereafter, the average formula cost per student in each cost grouping shall not be recalculated for the final calculation of state aid pursuant to section 79-1065. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of ~~subsection~~ subdivision (2) of section 79-1007.01. The For school fiscal years prior to school fiscal year 2008-09, the total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping multiplied by a cost growth factor. For school fiscal year 2008-09 and each school fiscal year thereafter, the total estimated general fund operating expenditures for the cost grouping is equal to the total adjusted general fund operating expenditures for all local systems in the cost grouping.

(b) The cost growth factor for each cost grouping is equal to the sum of: (i) One; plus (ii) the product of two times the ratio of the difference between the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 79-1007.01 and the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year divided by the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year, except that the ratio shall not be less than zero; plus (iii) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year in which the aid is to be distributed; plus (iv) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (v) one-half of any additional growth rate allowed by special action of school boards for the school fiscal year in which the aid is to be distributed as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed; plus (vi) one-half of any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed;

~~(3) For school fiscal year 2008-09 and each school fiscal year thereafter, each local system's formula need will be equal to the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance plus the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subsection (2) of section 79-1007.01; and~~

~~(4)(a) (3) For school fiscal years 2002-03 through 2006-07, each local system's formula need shall be calculated by subtracting the temporary aid adjustment factor from the sum of the local system's transportation allowance, the local system's special receipts allowance, and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of ~~subsection~~ subdivision (2) of section 79-1007.01;~~

~~(b) (4) For school fiscal year 2007-08, and each school fiscal year thereafter, each local system's formula need shall be calculated by subtracting the temporary aid adjustment factor from the sum of the local system's transportation allowance, special receipts allowance, and distance education and telecommunications allowance and the product of the local system's adjusted formula students multiplied by the average formula cost per student in the local system's cost grouping. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of ~~subsection~~ subdivision (2) of section 79-1007.01; and~~

(5) For school fiscal year 2008-09 and each school fiscal year thereafter, each school district's formula need shall equal the greater of (a) the sum of the school district's transportation allowance, elementary class size allowance, focus school and program allowance, limited English proficiency allowance, poverty allowance, special receipts allowance, and distance education and telecommunications allowance plus the product of the school district's adjusted formula students multiplied by the average formula cost per student in the school district's local system cost grouping or (b) if the school district's general fund levy was at or above ninety-nine cents per one hundred dollars of valuation for the previous year, the school district's prior year formula need multiplied by one hundred percent. The calculation of total adjusted formula students for purposes of this subdivision shall take into account the requirements of subdivision (2) of section 75 of this act.

Sec. 77. For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the elementary class size allowance for each school district. The allowance shall equal the statewide average general fund operating expenditures per formula student multiplied by 0.20 then multiplied by the number of students in the school district in kindergarten through grade five who qualify for free or reduced-price lunches and who spend at least fifty percent of the school day in a classroom with a minimum of ten students and a maximum of twenty students as reported on the fall membership report from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid for state aid certified pursuant to section 79-1022 and as reported on the annual financial report from the school fiscal year immediately preceding the school fiscal year in which the aid was paid for the final calculation of state aid pursuant to section 79-1065.

Sec. 78. For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the focus school and program allowance for each school district in a learning community. The allowance shall equal the statewide average general fund operating expenditures per formula student multiplied by 0.10 then multiplied by the number of students participating in a focus school or program as reported on the fall membership report from the school fiscal year immediately preceding the school fiscal year in which the aid is to be paid for state aid certified pursuant to section 79-1022 and as reported on the annual financial report from the school fiscal year immediately preceding the school fiscal year in which the aid was paid for the final calculation of state aid pursuant to section 79-1065.

Sec. 79. (1) For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the poverty allowance for each school district that has not been disqualified pursuant to section 80 of this act. The school district may designate a maximum poverty allowance on or before November 1 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated on a form prescribed by the department. The school district may decline to participate in the poverty allowance by providing the department with a maximum poverty allowance of zero dollars on or before November 1 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated on such form.

(2) The poverty allowance for each school district that has not been disqualified pursuant to section 80 of this act shall equal the lesser of:

(a) The maximum amount designated pursuant to subsection (1) of this section by the school district in the local system, if such school district designated a maximum amount, for the school fiscal year for which aid is being calculated; or

(b) Sixty-one percent of the sum of:

(i) The statewide average general fund operating expenditures per formula student multiplied by 0.05 then multiplied by the poverty students comprising more than five percent and not more than ten percent of the formula students in the school district; plus

(ii) The statewide average general fund operating expenditures per formula student multiplied by 0.10 then multiplied by the poverty students comprising more than ten percent and not more than fifteen percent of the formula students in the school district; plus

(iii) The statewide average general fund operating expenditures per formula student multiplied by 0.15 then multiplied by the poverty students comprising more than fifteen percent and not more than twenty percent of the formula students in the school district; plus

(iv) The statewide average general fund operating expenditures per formula student multiplied by 0.20 then multiplied by the poverty students comprising more than twenty percent and not more than twenty-five percent of the formula students in the school district; plus

(v) The statewide average general fund operating expenditures per formula student multiplied by 0.25 then multiplied by the poverty students comprising more than twenty-five percent and not more than thirty percent of the formula students in the school district; plus

(vi) The statewide average general fund operating expenditures per formula student multiplied by 0.30 then multiplied by the poverty students comprising more than thirty percent of the formula students in the school district.

Sec. 80. (1)(a) For school fiscal year 2007-08, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of federal funds received based on poverty as defined by the federal program providing the funds; and

(ii) The expenditures and sources of funding for each program related to poverty with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection. The department shall also determine for each school district an amount that shall be deemed the poverty allowance for purposes of this section. Such amount shall equal the adjustments to the weighted formula students pursuant to subdivision (1)(c)(iii) of section 79-1007.01 multiplied by the average formula cost per student in the school district's cost grouping.

(2)(a) For school fiscal year 2008-09 and each school fiscal year thereafter, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of the poverty allowance used in the certification of state aid pursuant to section 79-1022 for such school fiscal year;

(ii) The amount of federal funds received based on poverty as defined by the federal program providing the funds; and

(iii) The expenditures and sources of funding for each program related to poverty with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection.

(3) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall determine the poverty allowance expenditures using the reported expenditures on the annual financial report for the most recently available complete data year that would include in the poverty allowance expenditures only those expenditures that were used to specifically address issues related to the education of students living in poverty, that do not replace expenditures that would have occurred if the students involved in the program did not live in poverty, and that are not paid for with federal funds. The department shall establish a procedure to allow school districts to receive preapproval for categories of expenditures that could be included in poverty allowance expenditures.

(4) For school fiscal year 2009-10 and each school fiscal year thereafter, if the poverty allowance expenditures do not equal 117.65 percent or more of the poverty allowance for the most recently available complete data year, the department shall calculate a poverty allowance correction. The poverty allowance correction shall equal the poverty allowance minus eighty-five percent of the poverty allowance expenditures. If the poverty allowance expenditures do not equal fifty percent or more of the allowance for such school fiscal year, the school district shall also be disqualified from receiving a poverty allowance for the school fiscal year for which aid is being calculated.

(5) The department may request additional information from any school district to assist with calculations pursuant to this section. If the school district does not provide information upon the request of the department pursuant to this section, the school district shall be disqualified from receiving a poverty allowance for the school fiscal year for which aid is being calculated.

(6) The department shall annually provide the Legislature with a report containing a general description of the expenditures and funding sources for programs related to poverty statewide and specific descriptions of the expenditures and funding sources for programs related to poverty for each school district.

(7) The state board shall establish a procedure for appeal of decisions of the department to the state board for a final determination.

Sec. 81. (1) For school fiscal year 2008-09 and each school fiscal year thereafter, the department shall determine the limited English

proficiency allowance for each school district that has not been disqualified pursuant to section 82 of this act. The school district may designate a maximum limited English proficiency allowance on or before November 1 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated on a form prescribed by the department. The school district may decline to participate in the limited English proficiency allowance by providing the department with a maximum limited English proficiency allowance of zero dollars on or before November 1 of the school fiscal year immediately preceding the school fiscal year for which aid is being calculated on such form.

(2) The limited English proficiency allowance for each school district that has not been disqualified pursuant to section 82 of this act shall equal the lesser of:

(a) The amount designated pursuant to subsection (1) of this section by the school district, if such school district designated a maximum amount, for the school fiscal year for which aid is being calculated; or

(b) The statewide average general fund operating expenditures per formula student multiplied by 0.25 then multiplied by:

(i) The number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, if such number is greater than or equal to twelve;

(ii) Twelve, if the number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, is greater than or equal to one and less than twelve; or

(iii) Zero, if the number of students in the school district who are limited English proficient as defined under 20 U.S.C. 7801, as such section existed on January 1, 2006, is less than one.

Sec. 82. (1)(a) For school fiscal year 2007-08, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of federal funds received based on students who are limited English proficient as defined by the federal program providing the funds; and

(ii) The expenditures and sources of funding for each program related to limited English proficiency with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection. The department shall also determine for each school district an amount that shall be deemed the limited English proficiency allowance for purposes of this section. Such amount shall equal the adjustments to the weighted formula students pursuant to subdivision (1)(c)(ii) of section 79-1007.01 multiplied by the average formula cost per student in the school district's cost grouping.

(2)(a) For school fiscal year 2008-09 and each school fiscal year thereafter, the annual financial report required pursuant to section 79-528 shall include:

(i) The amount of the limited English proficiency allowance used in the certification of state aid pursuant to section 79-1022 for such school fiscal year;

(ii) The amount of federal funds received based on students who are limited English proficient as defined by the federal program providing the funds; and

(iii) The expenditures and sources of funding for each program related to limited English proficiency with a narrative description of the program and the method used to allocate money to the program and within the program.

(b) The department shall set up accounting codes for the receipts and expenditures required to be reported on the annual financial report pursuant to this subsection.

(3) For school fiscal year 2009-10 and each school fiscal year thereafter, the department shall determine the limited English proficiency allowance expenditures using the reported expenditures on the annual financial report for the most recently available complete data year that would only include in the limited English proficiency allowance expenditures those expenditures that were used to specifically address issues related to the education of students with limited English proficiency, that do not replace expenditures that would have occurred if the students involved in the program did not have limited English proficiency, and that are not paid for with federal funds. The department shall establish a procedure to allow school districts to receive preapproval for categories of expenditures that could be

included in limited English proficiency allowance expenditures.

(4) For school fiscal year 2009-10 and each school fiscal year thereafter, if the limited English proficiency allowance expenditures do not equal 117.65 percent or more of the limited English proficiency allowance for the most recently available complete data year, the department shall calculate a limited English proficiency allowance correction. The limited English proficiency allowance correction shall equal the limited English proficiency allowance minus eighty-five percent of the limited English proficiency allowance expenditures. If the limited English proficiency allowance expenditures do not equal fifty percent or more of the allowance for such school fiscal year, the school district shall also be disqualified from receiving a limited English proficiency allowance for the school fiscal year for which aid is being calculated.

(5) The department may request additional information from any school district to assist with calculations pursuant to this section. If the school district does not provide information upon the request of the department pursuant to this section, the school district shall be disqualified from receiving a limited English proficiency allowance for the school fiscal year for which aid is being calculated.

(6) The department shall annually provide the Legislature with a report containing a general description of the expenditures and funding sources for programs related to limited English proficiency statewide and specific descriptions of the expenditures and funding sources for programs related to limited English proficiency for each school district.

(7) The state board shall establish a procedure for appeal of decisions of the department to the state board for a final determination.

Sec. 83. For state aid calculated for school fiscal year 2008-09 and each school fiscal year thereafter, the cost growth factor for each cost grouping is equal to the sum of: (1) One; plus (2) the product of two times the ratio of the difference between the formula students attributable to the cost grouping without weighting or adjustment pursuant to section 75 of this act and the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year divided by the sum of the average daily membership plus tuitioned students attributable to the cost grouping for the most recently available complete data year, except that the ratio shall not be less than zero; plus (3) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year in which the aid is to be distributed; plus (4) the basic allowable growth rate pursuant to section 79-1025 for the school fiscal year immediately preceding the school fiscal year in which the aid is to be distributed; plus (5) any additional growth rate allowed by special action of school boards for the school fiscal year in which the aid is to be distributed as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed; plus (6) any additional growth rate allowed by special action of the school boards for the school fiscal year immediately preceding the school fiscal year when the aid is to be distributed.

Sec. 84. Section 79-1008.01, Revised Statutes Cumulative Supplement, 2004, is amended to read:

79-1008.01 (1) Except as provided in subsection (2) of this section and sections 79-1008.02 to 79-1010, each local system shall receive equalization aid in the amount that the total formula need of each local system, as determined pursuant to sections 79-1007.01 and 79-1007.02 and sections 75 and 77 to 83 of this act, exceeds its total formula resources as determined pursuant to sections 79-1015.01 to 79-1018.01.

(2) Except as provided in section 79-1008.02, a local system shall not receive state aid for any school fiscal year, except school fiscal years 2002-03 through 2007-08, which is less than an amount equal to the difference of eighty-five percent of the amount of aid certified in the preceding school fiscal year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of aid in the preceding school fiscal year and the adjusted valuation used for the aid being calculated multiplied by the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2) (a) or (b) of section 77-3442 without a vote pursuant to section 77-3444.

(3) Except as provided in section 79-1008.02, a local system shall not receive state aid for school fiscal years 2002-03 through 2007-08 which is less than an amount equal to the difference of eighty-three and three-fourths percent of the amount of aid certified in the preceding school fiscal year minus an amount equal to any increase in the adjusted valuation between the adjusted valuation used for the certification of aid in the preceding school fiscal year and the adjusted valuation used for the aid being calculated

multiplied by the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) of section 77-3442 without a vote pursuant to section 77-3444.

(4) Except as provided in subsection (2) or (3) of this section, no local system may receive equalization aid such that, when total aid is added to a levy ~~equal to~~ ten cents less than the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, ~~less ten cents,~~ multiplied by the local system's adjusted valuation, would result in total local system revenue from state aid plus property tax receipts which exceeds the total of:

(a) The sum of state aid, receipts from other school districts related to annexation, and property tax receipts received by the local system during the preceding school fiscal year multiplied by the total of (i) 1.01 plus (ii) the applicable allowable growth rate for the local system calculated pursuant to section 79-1026 as determined for the school fiscal year immediately preceding the school fiscal year when aid is to be distributed plus (iii) the percentage growth in formula students from the certification of state aid for the immediately preceding school fiscal year to the formula students for the certification of state aid for the current school fiscal year, except that the percentage growth shall not be less than zero;

(b) Unused budget authority authorized pursuant to section 79-1030 for all school districts in the local system;

(c) The difference between the other actual receipts included in local system formula resources for the certification of state aid in the preceding school fiscal year and other actual receipts included in local system formula resources for the certification of state aid for the current school fiscal year, except that such difference shall not be less than zero; and

(d) The absolute value of any negative prior year adjustment pursuant to section 79-1065.

For local systems that have reorganized, state aid, property tax receipts, and number of formula students shall be attributed based on valuation. The formation of a learning community shall be considered a reorganization for purposes of this subsection. The revenue from property tax receipts shall be calculated by multiplying the reported general fund common levy by the assessed valuation subject to the levy divided by one hundred.

(5) For all school fiscal years except school fiscal years 2002-03 through 2007-08, the aid that is not distributed through equalization based on subsection (4) of this section shall be distributed through this subsection to the extent local systems qualify for such distributions. Local systems qualify for distribution under this subsection if they have nine hundred or less formula students and adjusted general fund operating expenditures per formula student less than the average for all local systems with nine hundred or less formula students. The aid shall be distributed proportionally to qualifying districts based on the dollar amount each local system's calculated state aid plus the product of a levy of one dollar multiplied by the assessed valuation divided by one hundred is below ninety percent of state aid plus property tax receipts received by the local system during the preceding school fiscal year. No system shall receive aid pursuant to this subsection such that the calculated state aid plus the product of a levy of one dollar multiplied by the assessed valuation divided by one hundred is ninety percent or more of state aid plus property tax receipts received by the local system during the preceding school fiscal year. ~~Any aid available for distribution pursuant to this subsection that is not distributed pursuant to this subsection shall be distributed as equalization aid.~~

(6) For school fiscal years 2002-03 through 2007-08, the aid that is not distributed through equalization based on subsection (3) of this section shall be distributed through this subsection to the extent local systems qualify for such distributions. Local systems qualify for distribution under this subsection if they have nine hundred or less formula students and adjusted general fund operating expenditures per formula student less than the average for all local systems with nine hundred or less formula students. The aid shall be distributed proportionally to qualifying districts based on the dollar amount each local system's calculated state aid plus the product of a levy equal to the maximum levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, multiplied by the assessed valuation is below eighty-eight and three-fourths percent of state aid plus property tax receipts received by the local system during the preceding school fiscal year. No system shall receive aid pursuant to this subsection such that the calculated state aid plus the product of a levy equal to the maximum

levy, for the school fiscal year for which aid is being certified, pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444, multiplied by the assessed valuation is eighty-eight and three-fourths percent or more of state aid plus property tax receipts received by the local system during the preceding school fiscal year. ~~Any aid available for distribution pursuant to this subsection that is not distributed pursuant to this subsection shall be distributed as equalization aid.~~

Sec. 85. Section 79-1008.02, Reissue Revised Statutes of Nebraska, is amended to read:

79-1008.02 A minimum levy adjustment shall be calculated and applied to any local system that has a general fund common levy in the calendar year in which aid is certified that is less than ninety percent of the maximum levy allowed pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444. To calculate the minimum levy adjustment, the department shall subtract the local system general fund common levy in the calendar year when aid is certified from ninety percent of the maximum levy allowed pursuant to subdivision (2)(a) or (b) of section 77-3442 without a vote pursuant to section 77-3444 and multiply the result by the local system's adjusted valuation divided by one hundred. The minimum levy adjustment shall be added to the formula resources of the local system for the determination of equalization aid pursuant to section 79-1008.01. If the minimum levy adjustment is greater than or equal to the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02, the local system shall not receive allocated income tax funds. If the minimum levy adjustment is less than the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02, the local system shall receive allocated income tax funds in the amount of the difference between the allocated income tax funds calculated pursuant to section 79-1005.01 or 79-1005.02 and the minimum levy adjustment. This section does not apply to the calculation of aid for a local system containing a learning community for the first school fiscal year for which aid is calculated for such local system.

Sec. 86. Section 79-1022, Revised Statutes Supplement, 2005, is amended to read:

79-1022 (1) On or before March 1, 2006, and on or before February 1 for each year thereafter, the department shall determine the amounts to be distributed to each local system and each district pursuant to the Tax Equity and Educational Opportunities Support Act and shall certify the amounts to the Director of Administrative Services, the Auditor of Public Accounts, each learning community, and each district. The amount to be distributed to each district that is not a member of a learning community from the amount certified for a local system shall be proportional based on the weighted formula students attributed to each district in the local system. The amount to be distributed to each district that is a member of a learning community from the amount certified for the local system shall be proportional based on the formula needs calculated for each district in the local system. On or before March 1, 2006, and on or before February 1 for each year thereafter, the department shall report the necessary funding level to the Governor, the Appropriations Committee of the Legislature, and the Education Committee of the Legislature. Certified state aid amounts, including adjustments pursuant to section 79-1065.02, shall be shown as budgeted non-property-tax receipts and deducted prior to calculating the property tax request in the district's general fund budget statement as provided to the Auditor of Public Accounts pursuant to section 79-1024.

(2) Except as provided in subsection (8) of section 79-1016 and sections 79-1033 and 79-1065.02 the amounts certified pursuant to subsection (1) of this section shall be distributed in ten as nearly as possible equal payments on the last business day of each month beginning in September of each ensuing school fiscal year and ending in June of the following year, except that when a school district is to receive a monthly payment of less than one thousand dollars, such payment shall be one lump-sum payment on the last business day of December during the ensuing school fiscal year.

Sec. 87. Section 79-1024, Reissue Revised Statutes of Nebraska, is amended to read:

79-1024 (1) The department may require each district to submit to the department a duplicate copy of such portions of the district's budget statement as the Commissioner of Education directs. The department may verify any data used to meet the requirements of the Tax Equity and Educational Opportunities Support Act. The Auditor of Public Accounts shall review each district's budget statement for statutory compliance, make necessary changes in the budget documents for districts to effectuate the budget limitations imposed pursuant to sections 79-1023 to 79-1030, and notify the Commissioner of Education (a) of any district failing to submit to the auditor the budget

documents required pursuant to this subsection by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504 or 13-511 and (b) of any Class I district failing to submit the items required by this subsection to its high school districts by the date established in section 79-1083.03.

(2) If a school district fails to submit to the department or the auditor the budget documents required pursuant to subsection (1) of this section by the date established in subsection (1) of section 13-508 or fails to make any corrections of errors in the documents pursuant to section 13-504 or 13-511 or a Class I district fails to submit the items required by subsection (1) of this section to its high school districts by the date established in section 79-1083.03, the commissioner, upon notification from the auditor or upon his or her own knowledge that the required budget documents and any required corrections of errors from any school district have not been properly filed in accordance with the Nebraska Budget Act and after notice to the district and an opportunity to be heard, shall direct that any state aid granted pursuant to the Tax Equity and Educational Opportunities Support Act be withheld until such time as the required budget documents or corrections of errors are received by the auditor and the department. In addition, the commissioner shall direct the county treasurer to withhold all school money belonging to the school district until such time as the commissioner notifies the county treasurer of receipt of the required budget documents or corrections of errors. The county treasurer shall withhold such money. For school districts that are members of learning communities, a determination of school money belonging to the district shall be based on the proportionate share of property tax receipts allocated to the school district by the learning community coordinating council, and the learning community coordinating council shall withhold any such school money in the possession of the learning community coordinating council from the school district. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the fiscal year for which state aid was calculated, the state aid funds shall revert to the General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031. The board of any district failing to submit to the department or the auditor the budget documents required pursuant to this section by the date established in subsection (1) of section 13-508 or failing to make any corrections of errors in the documents pursuant to section 13-504 or 13-511 or the board of a Class I district failing to submit the items required by subsection (1) of this section to its high school districts by the date established in section 79-1083.03 shall be liable to the school district for all school money which such district may lose by such failing.

Sec. 88. Section 79-1026, Revised Statutes Supplement, 2005, is amended to read:

79-1026 For school fiscal years prior to 2008-09: On or before March 1, 2006, and on or before February 1 for each year thereafter, the department shall determine and certify to each Class II, III, IV, V, or VI district an applicable allowable growth rate carried out at least four decimal places for each local system as follows:

(1) The department shall establish a target budget level range of general fund operating expenditure levels for each school fiscal year for each local system which shall begin at twenty percent less than the local system's formula need and end at the local system's formula need. The beginning point of the range shall be assigned a number equal to the maximum allowable growth rate established in section 79-1025, and the end point of the range shall be assigned a number equal to the basic allowable growth rate as prescribed in such section such that the lower end of the range shall be assigned the maximum allowable growth rate and the higher end of the range shall be assigned the basic allowable growth rate; and

(2) For each school fiscal year, each local system's general fund operating expenditures shall be compared to its target budget level along the range described in subdivision (1) of this section to arrive at an applicable allowable growth rate as follows: If each local system's general fund operating expenditures fall below the lower end of the range, such applicable allowable growth rate shall be the maximum growth rate identified in section 79-1025. If each local system's general fund operating expenditures are greater than the higher end of the range, the local system's allowable growth rate shall be the basic allowable growth rate identified in such section. If each local system's general fund operating expenditures fall between the lower end and the higher end of the range, the department shall use a linear interpolation calculation between the end points of the range to arrive at the applicable allowable growth rate for the local system.

Sec. 89. For school fiscal year 2008-09 and each school fiscal year thereafter, on or before February 1, the department shall determine and certify to each Class II, III, IV, or V district an applicable allowable growth rate carried out at least four decimal places as follows:

(1) The department shall establish a target budget level range of general fund operating expenditure levels for each school fiscal year for each school district which shall begin at twenty percent less than the school district's formula need and end at the school district's formula need. The beginning point of the range shall be assigned a number equal to the maximum allowable growth rate established in section 79-1025, and the end point of the range shall be assigned a number equal to the basic allowable growth rate as prescribed in such section such that the lower end of the range shall be assigned the maximum allowable growth rate and the higher end of the range shall be assigned the basic allowable growth rate; and

(2) For each school fiscal year, each school district's general fund operating expenditures shall be compared to its target budget level along the range described in subdivision (1) of this section to arrive at an applicable allowable growth rate as follows: If each school district's general fund operating expenditures fall below the lower end of the range, such applicable allowable growth rate shall be the maximum growth rate identified in section 79-1025. If each school district's general fund operating expenditures are greater than the higher end of the range, the school district's allowable growth rate shall be the basic allowable growth rate identified in such section. If each school district's general fund operating expenditures fall between the lower end and the higher end of the range, the department shall use a linear interpolation calculation between the end points of the range to arrive at the applicable allowable growth rate for the school district.

Sec. 90. Section 79-1028, Revised Statutes Supplement 2005, is amended to read:

79-1028 (1) A Class II, III, IV, V, or VI school district may exceed the local system's its applicable allowable growth rate for (a) expenditures in support of a service which is the subject of an agreement or a modification of an existing agreement whether operated by one of the parties to the agreement or an independent joint entity or joint public agency, (b) expenditures to pay for repairs to infrastructure damaged by a natural disaster which is declared a disaster emergency pursuant to the Emergency Management Act, (c) expenditures to pay for judgments, except judgments or orders from the Commission of Industrial Relations, obtained against a school district which require or obligate a school district to pay such judgment, to the extent such judgment is not paid by liability insurance coverage of a school district, (d) expenditures to pay for sums agreed to be paid by a school district to certificated employees in exchange for a voluntary termination of employment, or (e) expenditures to pay for lease-purchase contracts approved on or after July 1, 1997, and before July 1, 1998, to the extent the lease payments were not budgeted expenditures for fiscal year 1997-98.

(2) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if the district projects an increase in formula students in the district over the current school year greater than twenty-five students or greater than those listed in the schedule provided in this subsection, whichever is less. Districts shall project increases in formula students on forms prescribed by the department. The department shall approve, deny, or modify the projected increases.

Average daily membership of district	Projected increase of formula students by percentage
0 - 50	10
50.01 - 250	5
250.01 - 1,000	3
1,000.01 and over	1

The department shall compute the district's estimated allowable budget per pupil using the budgeted general fund expenditures found on the budget statement for the current school year divided by the number of formula students in the current school year and multiplied by the district's

applicable allowable growth rate. The resulting allowable budget per pupil shall be multiplied by the projected formula students to arrive at the estimated budget needs for the ensuing year. The department shall allow the district to increase its general fund budget of expenditures for the ensuing school year by the amount necessary to fund the estimated budget needs of the district as computed pursuant to this subsection. On or before July 1, the department shall make available to districts which have been allowed additional growth pursuant to this subsection the necessary document to recalculate the actual formula students of such district. Such document shall be filed with the department under subsection (1) of section 79-1024.

(3) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if construction, expansion, or alteration of district buildings will cause an increase in building operation and maintenance costs of at least five percent. The department shall document the projected increase in building operation and maintenance costs and may allow a Class II, III, IV, V, or VI district to exceed ~~the local system's~~ its applicable allowable growth rate by the amount necessary to fund such increased costs. The department shall compute the actual increased costs for the school year and shall notify the district on or before July 1 of the recovery of the additional growth pursuant to this subsection.

(4) A Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount if the district demonstrates to the satisfaction of the department that it will exceed its applicable allowable growth rate as a result of costs pursuant to the Retirement Incentive Plan authorized in section 79-855 or the Staff Development Assistance authorized in section 79-856. The department shall compute the amount by which the increased cost of such program or programs exceeds the district's applicable allowable growth rate and shall allow the district to increase its general fund expenditures by such amount for that fiscal year.

(5) A Class II, III, IV, or V district may exceed its applicable allowable growth rate by the specific dollar amount of incentive payments or base fiscal year incentive payments to be received in such school fiscal year pursuant to section 79-1011.

(6) A Class II, III, IV, V, or VI district may exceed ~~the district's~~ its applicable allowable growth rate by a specific dollar amount in any year for which the state aid calculation for the local system includes students in the qualified early childhood education fall membership of the district for the first time or for a year in which an early childhood education program of the district is receiving an expansion grant. The department shall compute the amount by which the district may exceed the district's applicable allowable growth rate by multiplying the cost grouping cost per student for the ~~local system's~~ applicable cost grouping by the ~~local system's~~ district's adjusted formula students attributed to early childhood education programs if students are included in the ~~local system's~~ district's qualified early childhood education fall membership for the first time or by the ~~local system's~~ district's adjusted formula students attributed to such early childhood education programs minus the ~~local system's~~ district's adjusted formula students attributed to such early childhood education programs for the prior school fiscal year if a program is receiving an expansion grant in the school fiscal year for which the fall membership is measured. The department shall allow the district to increase its general fund expenditures by such amount for such school fiscal year.

(7) For school fiscal year 2005-06, a Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount not to exceed seventy-four hundredths percent of the amount budgeted for employee salaries for such school fiscal year. For school fiscal year 2006-07, a Class II, III, IV, V, or VI district may exceed its applicable allowable growth rate by a specific dollar amount not to exceed fifty-nine hundredths percent of the amount budgeted for employee salaries for such school fiscal year.

(8) For school fiscal year 2006-07, a Class II or III school district that has been exempt from the transportation requirements of subdivision (1)(c) of section 79-611 as such section existed before June 15, 2005, due to the school district's status as a Class VI school district in a prior school fiscal year may exceed its applicable allowable growth rate by an amount equal to anticipated transportation expenditures necessary to meet new transportation requirements. The department shall approve, deny, or modify the anticipated transportation expenditures. The department shall compute the actual transportation expenditures necessary to meet new transportation requirements for school fiscal year 2006-07 and shall, if needed, modify the ~~local system's~~ district's applicable allowable growth rate for the ensuing

school fiscal year.

(9) A Class II, III, IV, or V district that is a member of a learning community may exceed its applicable allowable growth rate for the first school fiscal year in which the school district will be a member of a learning community for the full school fiscal year by an amount equal to anticipated increases in transportation expenditures necessary to meet the requirements of subsection (2) of section 79-611 as approved by the department. The department shall approve, deny, or modify the amount allowed for anticipated increases in transportation expenditures. The department shall compute the actual increase in transportation expenditures necessary to meet the requirements of subsection (2) of section 79-611 for such school fiscal year and shall, if needed, modify the district's applicable allowable growth rate for the ensuing school fiscal year.

(10) For school fiscal year 2008-09, a Class II, III, IV, or V district may exceed its applicable allowable growth rate by a specific dollar amount if the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district for school fiscal year 2008-09 exceeds the poverty weightings plus limited English proficiency weightings multiplied by the cost grouping cost per student for the school district for school fiscal year 2007-08. The department shall compute the amount by which the district may exceed the applicable allowable growth rate by subtracting the product of the sum of the poverty weightings and limited English proficiency weightings for school fiscal year 2007-08 multiplied by the average formula cost per student in the school district's cost grouping for school fiscal year 2007-08 from the sum of the school fiscal year 2008-09 poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district. The department shall allow the district to increase its general fund expenditures by such amount for school fiscal year 2008-09.

(11) For school fiscal year 2009-10 and each school fiscal year thereafter, a Class II, III, IV, or V district may exceed its applicable allowable growth rate by a specific dollar amount if the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the school district has grown at a rate higher than the applicable allowable growth rate of the district. The department shall compute the amount by which the district may exceed the applicable allowable growth rate by subtracting the product of the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the immediately preceding school fiscal year multiplied by the sum of one plus the applicable allowable growth rate to be exceeded from the sum of the poverty allowance, elementary class size allowance, focus school and program allowance, and limited English proficiency allowance for the district for the school fiscal year for which the applicable allowable growth rate would be exceeded. The department shall allow the district to increase its general fund expenditures by such amount for the applicable school fiscal year.

Sec. 91. Section 79-1030, Reissue Revised Statutes of Nebraska, is amended to read:

79-1030 A Class II, III, IV, V, or VI district may choose not to increase its general fund budget of expenditures by the full amount of the ~~local system's~~ its applicable allowable growth rate. In such cases, the department shall calculate the amount of unused budget authority which shall be carried forward to future budget years so a Class II, III, IV, V, or VI district may increase its general fund budget of expenditures in future budget years by the amount of such total unused budget authority in addition to ~~the local system's~~ its applicable allowable growth rate for the specific budget year.

Sec. 92. Section 79-1033, Reissue Revised Statutes of Nebraska, is amended to read:

79-1033 (1) Except as otherwise provided in the Tax Equity and Educational Opportunities Support Act, state aid payable pursuant to the act for each school fiscal year shall be based upon data found in applicable reports for the most recently available complete data year. The annual financial reports and the annual statistical summary of all school districts shall be submitted to the Commissioner of Education pursuant to the dates prescribed in section 79-528. If a school district fails to timely submit its reports, the commissioner, after notice to the district and an opportunity to be heard, shall direct that any state aid granted pursuant to the act be withheld until such time as the reports are received by the department. In addition, the commissioner shall direct the county treasurer to withhold all school money belonging to the school district until such time as the

commissioner notifies the county treasurer of receipt of such reports. The county treasurer shall withhold such money. For school districts that are members of learning communities, a determination of school money belonging to the district shall be based on the proportionate share of state aid and property tax receipts allocated to the school district by the learning community coordinating council, and the treasurer of the learning community coordinating council shall withhold any such school money in the possession of the learning community coordinating council from the school district. If the school district does not comply with this section prior to the end of the state's biennium following the biennium which included the school fiscal year for which state aid was calculated, the state aid funds shall revert to the General Fund. The amount of any reverted funds shall be included in data provided to the Governor in accordance with section 79-1031.

(2) A district which receives, or has received in the most recently available complete data year or in either of the two school fiscal years preceding the most recently available complete data year, federal funds in excess of twenty-five percent of its general fund budget of expenditures may apply for early payment of state aid paid pursuant to the act when such federal funds are not received in a timely manner. Such application may be made at any time by a district suffering such financial hardship and may be for any amount up to fifty percent of the remaining amount to which the district is entitled during the current school fiscal year. The state board may grant the entire amount applied for or any portion of such amount if the state board finds that a financial hardship exists in the district. The state board shall notify the Director of Administrative Services of the amount of funds to be paid in lump sum and the reduced amount of the monthly payments. The Director of Administrative Services shall, at the time of the next state aid payment made pursuant to section 79-1022, draw a warrant for the lump-sum amount from appropriated funds and forward such warrant to the district. For purposes of this subsection, financial hardship means a situation in which income to a district is exceeded by liabilities to such a degree that if early payment is not received it will be necessary for the district to discontinue vital services or functions.

Sec. 93. On or before October 1 for each year, each learning community coordinating council shall determine the expected amounts to be distributed to each member school district from general fund property tax receipts and shall certify such amounts to each member school district and the State Department of Education. Such property tax receipts shall be divided among member school districts proportionally based on the difference of one hundred ten percent of the school district's formula need calculated pursuant to section 79-1007.02 minus the sum of the state aid certified pursuant to section 79-1022 and the other actual receipts included in local system formula resources pursuant to section 79-1018.01, except that no school district shall receive property tax receipts in excess of the lesser of such difference or the school district's property tax request.

Each time a learning community coordinating council distributes property tax receipts to member school districts, the amount to be distributed to each district shall be proportional based on the total amounts to be distributed to each member school district for the school fiscal year.

Sec. 94. Amounts levied by learning communities for special building funds for member school districts pursuant to subdivision (2)(f) of section 77-3442 shall be distributed to all member school districts proportionally based on the formula students used in the most recent certification of state aid pursuant to section 79-1022.

Any amounts distributed pursuant to this section shall be used by the member school districts for special building funds.

Sec. 95. Section 79-1074, Reissue Revised Statutes of Nebraska, is amended to read:

79-1074 (1) The county clerk of any county in which a part of a joint school district or learning community is located shall, on or before the date prescribed in section 13-509, certify the taxable valuation of all taxable property of such part of the joint district or learning community to the clerk of the headquarters county in which the schoolhouse or the administrative office of the school district or learning community is located.

(2) The county clerk of any county in which a part of a joint affiliated school system or learning community is located shall, on or before the date prescribed in section 13-509, certify the taxable valuation of all taxable property of such part of the joint affiliated school system or learning community to the clerk of the headquarters county in which the schoolhouse or the administrative office of the high school district or learning community is located.

Sec. 96. Section 79-1075, Reissue Revised Statutes of Nebraska, is

amended to read:

79-1075 (1) The county board of the county in which is located the schoolhouse or the administrative office of any joint school district or learning community shall make a levy for the school district or learning community, as may be necessary, and the county clerk of that headquarters county shall certify the levy, on or before the date prescribed in section 77-1601, to the county clerk of each county in which is situated any portion of the joint school district or learning community. This section shall apply to all taxes levied on behalf of school districts, including, but not limited to, taxes authorized by sections 10-304, 10-711, 10-716.01, 77-1601, 79-747, 79-1077, 79-1084, 79-1085, 79-1086, 79-10,100, 79-10,110, 79-10,118, 79-10,120, 79-10,122, and 79-10,126.

(2) The county board of the county in which is located the schoolhouse or the administrative office of the high school district of a joint affiliated school system shall make a levy for the joint affiliated school system, as may be necessary, and the county clerk of that headquarters county shall certify the levy, on or before the date prescribed in section 77-1601, to the county clerk of each county in which is situated any portion of the joint affiliated school system. This section shall apply to all taxes levied on behalf of affiliated school systems, including, but not limited to, taxes authorized by sections 10-716.01, 79-1077, and 79-10,110.

Sec. 97. Section 79-1083, Reissue Revised Statutes of Nebraska, is amended to read:

79-1083 At the time the budget statement is certified to the levying board, each school board shall deliver to the county clerk of the headquarters county a copy of its adopted budget statement. If the school district is a member of a learning community, the school board shall also deliver to the learning community coordinating council a copy of the adopted budget statement.

Sec. 98. Section 79-1084, Reissue Revised Statutes of Nebraska, is amended to read:

79-1084 The school board of a Class III school district shall annually, on or before September 20, report in writing to the county board and the learning community coordinating council if the school district is a member of a learning community the entire revenue raised by taxation and all other sources and received by the school board for the previous school fiscal year and a budget for the ensuing school fiscal year in form of a resolution broken down generally as follows: (1) The amount of funds required for the support of the schools during the ensuing school fiscal year; (2) the amount of funds required for the purpose of school sites; (3) the amount of funds required for the erection of school buildings; (4) the amount of funds required for the payment of interest upon all bonds issued for school purposes; and (5) the amount of funds required for the creation of a sinking fund for the payment of such indebtedness. The secretary shall publish, within ten days after the filing of such budget, a copy of the fund summary pages of the budget one time at the legal rate prescribed for the publication of legal notices in a legal newspaper published in and of general circulation in such city or village or, if none is published in such city or village, in a legal newspaper of general circulation in the city or village. The secretary of the school board failing or neglecting to comply with this section shall be deemed guilty of a Class V misdemeanor and, ~~upon conviction, shall be fined in any sum not exceeding twenty-five dollars for each offense and,~~ in the discretion of the court, the judgment of conviction may provide for the removal from office of such secretary for such failure or neglect. The For Class III school districts that are not members of a learning community, the county board shall levy and collect such taxes as are necessary to provide the amount of revenue from property taxes as indicated by all the data contained in the budget and the certificate prescribed by this section, at the time and in the manner provided in section 77-1601.

Sec. 99. Section 79-1086, Reissue Revised Statutes of Nebraska, is amended to read:

79-1086 (1) The board of education of a Class V school district that is not a member of a learning community shall annually during the month of July estimate the amount of resources likely to be received for school purposes, including the amounts available from fines, licenses, and other sources. Before the county board of equalization makes its levy each year, the board of education shall report to the county clerk the rate of tax deemed necessary to be levied upon the taxable value of all the taxable property of the district subject to taxation during the fiscal year next ensuing for ~~(1)~~ (a) the support of the schools, ~~(2)~~ (b) the purchase of school sites, ~~(3)~~ (c) the erection, alteration, equipping, and furnishing of school buildings and additions to school buildings, ~~(4)~~ (d) the payment of interest upon all bonds

issued for school purposes, and ~~(5)~~ (e) the creation of a sinking fund for the payment of such indebtedness. The county board of equalization shall levy the rate of tax so reported and demanded by the board of education and collect the tax in the same manner as other taxes are levied and collected.

(2) The school board of a Class V school district that is a member of a learning community shall annually, on or before September 20, report in writing to the county board and the learning community coordinating council the entire revenue raised by taxation and all other sources and received by the school board for the previous school fiscal year and a budget for the ensuing school fiscal year in form of a resolution broken down generally as follows: (a) The amount of funds required for the support of the schools during the ensuing school fiscal year; (b) the amount of funds required for the purpose of school sites; (c) the amount of funds required for the erection of school buildings; (d) the amount of funds required for the payment of interest upon all bonds issued for school purposes; and (e) the amount of funds required for the creation of a sinking fund for the payment of such indebtedness. The secretary shall publish, within ten days after the filing of such budget, a copy of the fund summary pages of the budget one time at the legal rate prescribed for the publication of legal notices in a legal newspaper published in and of general circulation in such city or village or, if none is published in such city or village, in a legal newspaper of general circulation in the city or village. The secretary of the school board failing or neglecting to comply with this section shall be deemed guilty of a Class V misdemeanor and, in the discretion of the court, the judgment of conviction may provide for the removal from office of such secretary for such failure or neglect.

Sec. 100. Section 79-10,120, Reissue Revised Statutes of Nebraska, is amended to read:

79-10,120 The school board or board of education of a Class II, III, IV, V, or VI school district may establish a special fund for purposes of acquiring sites for school buildings or teacherages, purchasing existing buildings for use as school buildings or teacherages, including the sites upon which such buildings are located, and the erection, alteration, equipping, and furnishing of school buildings or teacherages and additions to school buildings for elementary and high school grades and for no other purpose. ~~Such~~ For school districts that are not members of learning communities, the fund shall be established from the proceeds of an annual levy, to be determined by the board, of not to exceed fourteen cents on each one hundred dollars upon the taxable value of all taxable property in the district which shall be in addition to any other taxes authorized to be levied for school purposes. Such tax shall be levied and collected as are other taxes for school purposes. For school districts that are members of a learning community, such fund shall be established from the proceeds of the learning community special building funds levy directed to the school district for such purpose pursuant to subdivision (2)(f) of section 77-3442 and the proceeds of any school district special building fund levy pursuant to subdivision (2)(b) of section 77-3442.

Sec. 101. Section 79-10,126, Reissue Revised Statutes of Nebraska, is amended to read:

79-10,126 A Class V school district that is not a member of a learning community shall establish (1) for the general operation of the schools, such fund as will result from an annual levy of such rate of tax upon the taxable value of all the taxable property in such school district as the board of education determines to be necessary for such purpose, (2) a fund resulting from an annual amount of tax to be determined by the board of education of not to exceed fourteen cents on each one hundred dollars upon the taxable value of all the taxable property in the district for the purpose of acquiring sites of school buildings and the erection, alteration, equipping, and furnishing of school buildings and additions to school buildings, which tax levy shall be used for no other purposes, and (3) a further fund resulting from an annual amount of tax to be determined by the board of education to pay interest on and retiring, funding, or servicing of bonded indebtedness of the district.

Sec. 102. A Class V school district that is a member of a learning community shall establish (1) for the general operation of the schools, such fund as will result from distributions from the learning community levy and any annual levy of such rate of tax upon the taxable value of all the taxable property in such school district as the board of education determines to be necessary for such purpose and as authorized pursuant to subdivision (2)(b) of section 77-3442, (2) a fund resulting from distributions from the learning community levy for special building funds for the purpose of acquiring sites of school buildings and the erection, alteration, equipping, and furnishing of school buildings and additions to school buildings, which fund shall be used

for no other purposes, and (3) a further fund resulting from an annual amount of tax to be determined by the board of education to pay interest on and retiring, funding, or servicing of bonded indebtedness of the district.

Sec. 103. Learning community means a political subdivision which shares the territory of member school districts and is governed by a learning community coordinating council. The fiscal year for a learning community shall be the same as for member school districts. A learning community shall not have the authority to levy property taxes for the first fiscal year of its existence and shall not have the authority to levy property taxes prior to school fiscal year 2008-09.

Sec. 104. (1) On or before August 1, 2006, and on or before August 1 following the official designation of any new city of the metropolitan class or any valid request to form a new learning community, the Secretary of State shall certify the establishment of a new learning community with an effective date of September 1 of the year of such certification to the county clerks and county assessors of the counties with territory in the new learning community, to the Property Tax Administrator, to the State Department of Education, and to the school boards of the member school districts of the new learning community. A learning community shall be established for each city of the metropolitan class and shall include all school districts for which the principal office of the school district is located in the county where the city of the metropolitan class is located and all school districts for which the principal office of the school district is located in a county that has a contiguous border of at least five miles in the aggregate with such city of the metropolitan class. A learning community may also be established for one or more counties at the request of the school boards of all school districts for which the principal office of the school district is located in the specified county or counties if such school districts have a minimum combined total of at least two thousand students, except that districts in local systems that are in the sparse cost grouping or the very sparse cost grouping as described in section 79-1007.02 need not have a minimum combined total of at least two thousand students but a learning community with fewer than two thousand students shall include at least two school districts. Such requests shall be received by the Secretary of State on or before March 1 to be effective the following September 1.

(2) On or before September 1 following the certification of the establishment of a new learning community, the school board of each member school district shall appoint a member of such school board to serve on the learning community coordinating council and shall notify the Secretary of State of the appointment. The Secretary of State or his or her designee shall convene a meeting of the new council during the month of September and each month thereafter through the following June. At the September meeting, the council shall elect officers and shall begin taking the necessary steps to begin operating as a learning community. The Secretary of State or his or her designee shall schedule and host each meeting and shall serve as a facilitator at each meeting. The Secretary of State may contract for facilitation services. In any fiscal year that one or more new learning communities are established, the Secretary of State shall report to the Education Committee of the Legislature on or before December 31 and on or before June 30, regarding the progress of any new learning community coordinating councils.

Sec. 105. The State Department of Education shall provide transition aid to learning communities pursuant to this section. A learning community shall receive transition aid for the second school fiscal year of the learning community's existence for funding the general fund budget of the learning community during the transition to property tax funding. Each learning community established on September 1, 2006, shall also receive transition aid for the third school fiscal year of the learning community's existence. Transition aid shall be distributed to each qualified learning community on or before July 5 of each school fiscal year in an amount equal to the amount appropriated for transition aid divided by the number of qualified learning communities.

Sec. 106. A learning community coordinating council shall have the authority to:

(1) Levy and distribute a common levy for the general funds of member school districts;

(2) Levy and distribute a common levy for the special building funds of member school districts;

(3) Levy for the budget of the learning community and for projects approved by the learning community coordinating council;

(4) Collect and report data and information as required;

(5) Coordinate development of focus schools and programs to provide

educational opportunities to diversified student populations, including exploration of a campus that would include focus schools and programs operated by different member school districts;

(6) Approve focus schools and programs to be operated by member school districts;

(7) Annually conduct a school fair to allow students and parents to learn about each school in the learning community;

(8) Develop reorganization plans for submission pursuant to the Learning Community Reorganization Act; and

(9) Upon recommendation of the integration task force for the learning community, adopt and implement an integration and diversity plan.

Sec. 107. A learning community shall be governed by a coordinating council composed of one school board member from each member school district, and the superintendent of each member school district shall serve as a nonvoting member. A vacancy shall occur whenever a learning community coordinating council member ceases to be a member of the school board being represented or ceases to be the superintendent of the school district being represented, and the vacancy shall be filled by the school board of such member school district. Members of a learning community coordinating council shall receive no compensation for their services but shall be reimbursed for the actual and necessary expenses incurred in the performance of their duties as provided in sections 81-1174 to 81-1177.

Sec. 108. Any official action of a learning community coordinating council shall require approval of not less than one-half the voting members of the board representing school districts that have at least one-third of the students in the learning community as measured by the formula students in the most recent certification of state aid pursuant to section 79-1022.

Sec. 109. The boundaries of all school districts for which the principal office of the school district is located in a county where a city of the metropolitan class is located on the effective date of this act and all school districts for which the principal office of the school district is located in a county that has a contiguous border of at least five miles in the aggregate with such city of the metropolitan class on the effective date of this act shall remain as depicted on March 1, 2006, on the map kept by the county clerk pursuant to section 79-490, until a learning community has been formed for such city of the metropolitan class.

Sec. 110. (1) On or before July 1 following the receipt of the recommendations from the integration task force pursuant to section 111 of this act, each learning community coordinating council shall adopt and implement an integration and diversity plan and shall provide a copy of such plan to the Education Committee of the Legislature. The integration and diversity plan shall include participation standards for member school districts. If in any year a member school district fails to meet the participation standards, the learning community coordinating council shall inform the district and advise the district as to the actions necessary for the district to meet such standards. If a member school district fails to meet the participation standards for two consecutive years, the learning community coordinating council shall submit a plan to dissolve such district pursuant to the Learning Community Reorganization Act.

(2) On or before July 1, 2009, and on or before July 1 of each odd-numbered year thereafter, the learning community coordinating council shall issue a report on the integration plan, the diversity of students in each school building in the learning community, the academic achievement of students in various demographic groups in each school building in the learning community, and the enrollment of students in buildings outside of their attendance areas. The report shall include recommendations for improving the integration plan, improving diversity in school buildings that are less diverse than other school buildings within the learning community, and for improving the achievement of any demographic group that is underperforming based on criteria established by the learning community coordinating council. The report shall be delivered to the school board of each member school district, the Education Committee of the Legislature, and the Commissioner of Education. If a report recommends adjusting the boundaries of member school districts to improve the achievement of a demographic group that is underperforming, the learning community coordinating council shall submit a reorganization plan to the State Committee for the Reorganization of School Districts pursuant to the Learning Community Reorganization Act to make such adjustment.

Sec. 111. (1) On or before January 1 immediately following the establishment of a learning community, the learning community coordinating council shall appoint an integration task force for the learning community. In order to appoint the members of the task force, the learning community

coordinating council shall divide the learning community into four quadrants along a north and south axis and an east and west axis with each axis geographically centered in the learning community. The task force shall consist of twelve members who are not members of any school board and are not employees of any school district as follows:

(a) Two of the members shall be employed in a planning capacity for a city within the boundaries of the learning community;

(b) Two members shall be members of organizations that represent the interests of minority groups in the learning community; and

(c) Two members from each of the four quadrants established as described in this section.

(2) The purpose of the integration task force is to develop an integration plan for the learning community and to recommend such plan to the learning community coordinating council. Such plan shall address the following:

(a) What the learning community hopes to accomplish for students through integration;

(b) How integration should be accomplished in the learning community;

(c) How the learning community will know if the integration is successful; and

(d) What the learning community should do if integration is not successful.

(3) The integration task force shall meet once per month for one year, may hold public hearings, shall be subject to the Open Meetings Act, and shall report to the learning community coordinating council at the council's monthly meetings in March, June, September, and December. The task force shall also submit the integration plan to the Education Committee of the Legislature in December of such year.

(4) Members of the task force shall not receive compensation but shall be reimbursed for their actual and necessary expenses incurred in carrying out their duties as members of the task force. If a vacancy occurs on the task force, the learning community coordinating council shall appoint a person to fill the vacancy who meets the requirements of the member being replaced.

Sec. 112. The Commissioner of Education shall appoint a high-needs education coordinator, subject to confirmation by a majority vote of the members of the State Board of Education. The appointment shall be made on the basis of recognized and demonstrated interest in and knowledge of instructional effectiveness for students in poverty, limited English proficient students, and highly mobile students. The coordinator shall evaluate and coordinate existing resources for effective programs for students in poverty, limited English proficient students, and highly mobile students. The coordinator shall also develop a plan to improve educational attainment for such students. The plan may include research efforts to be conducted by Nebraska postsecondary educational institutions. The plan shall be presented to the Education Committee of the Legislature on or before November 1, 2007.

Sec. 113. If any section in this act or any part of any section is declared invalid or unconstitutional, the declaration shall not affect the validity or constitutionality of the remaining portions.

Sec. 114. Original sections 32-543, 77-1601.02, 77-1614, 77-1624, 77-1702, 77-1704.01, 77-1708, 77-1772, 77-2201, 77-2202, 79-232, 79-233, 79-237, 79-238, 79-458, 79-458.01, 79-467, 79-468, 79-469, 79-476, 79-527, 79-528, 79-535, 79-536, 79-549, 79-760, 79-979, 79-980, 79-981, 79-983, 79-984, 79-985, 79-986, 79-9,107, 79-9,108, 79-9,109, 79-9,115, 79-1002, 79-1008.02, 79-1024, 79-1030, 79-1033, 79-1074, 79-1075, 79-1083, 79-1084, 79-1086, 79-10,120, and 79-10,126, Reissue Revised Statutes of Nebraska, sections 13-503, 13-508, 13-511, 79-1001, and 79-1008.01, Revised Statutes Cumulative Supplement, 2004, sections 77-3442, 79-102, 79-407, 79-408, 79-409, 79-413, 79-415, 79-416, 79-433, 79-452, 79-473, 79-479, 79-611, 79-850, 79-1007.01, 79-1022, 79-1026, and 79-1028, Revised Statutes Supplement, 2005, and sections 79-1003 and 79-1007.02, Revised Statutes Supplement, 2005, as amended by sections 4 and 5, respectively, Legislative Bill 1208, Ninety-ninth Legislature, Second Session, 2006, are repealed.

Sec. 115. The following section is outright repealed: Section 77-1933, Reissue Revised Statutes of Nebraska.